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

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Thursday 27 February 2020

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 6 March 2020**.

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".

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 Will Simpson (Chair)
Councillor Kath Pinnock
Councillor Steve Hall
Councillor John Taylor
Councillor Paola Antonia Davies
Councillor Susan Lee-Richards
Councillor Martyn Bolt

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
V Lees-Hamilton
N Patrick
M Thompson
R Smith

Green

K Allison

Independent

C Greaves
T Lyons

Labour

M Akhtar
M Sokhal
M Kaushik
H Uppal

Liberal Democrat

A Munro
A Pinnock
J Lawson
A Marchington

Ex Officio Members

Councillor Graham Turner
Councillor Elizabeth Smaje
Councillor Paul Davies

Agenda

Reports or Explanatory Notes Attached

Pages

1: Membership of the Committee

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

2: Minutes of Previous Meeting

1 - 4

To approve the Minutes of the meeting of the Committee held on 24 January 2020.

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.

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.

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.

6: Public Question Time

The Committee will hear any questions from the general public.

7: Members Allowances independent Review Panel 2020/21 7 - 24

The report sets out the recommendations of the Members Allowances Independent Review Panel.

Contact: Carl Whistlecraft, Head of Democracy and Place Based Working

8: Annual Governance Statement 2018/19 - Quarter 3 Action Plan Update 25 - 46

The report sets out progress in implementing items in the Action Plan.

Contact: Simon Straker, Audit Manager

9: External Audit Update 47 - 82

To receive the attached report.

10: Annual Review of Code of Corporate Governance 83 - 92

The report sets out the details of the review undertaken by the Monitoring Officer.

Contact: Julie Muscroft, Service Director Legal, Governance and Commissioning.

Contact Officer: Leigh Webb

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 24th January 2020

Present: Councillor Will Simpson (Chair)
Councillor Paola Antonia Davies
Councillor Susan Lee -Richards
Councillor Kath Pinnock
Councillor John Taylor

Councillor E Smaje - Chair Overview and Scrutiny
Management Committee (Ex-officio)

Apologies: Councillor Steve Hall

- 1 Membership of the Committee**
Apologies for absence were received on behalf of Councillor Steve Hall.
- 2 Minutes of Previous Meeting**
That the Minutes of the meeting held on 15 November 2019 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 Place Partnerships Lead Member Role - Update**
The Committee received a report which set out an update on the progress of the Place partnership Lead Member role following its approval by Council on 18 September 2019.

The report advised that as Part of the Place Partnerships initiative, the Council had agreed to establish a Place partnership Lead Member role. A copy of the role profile was appended to the report.

Corporate Governance and Audit Committee - 25 January 201920

The report set out details of the Lead Members along with an update of progress across the seven place partnerships.

The Committee were briefed on the outcome of a Members Allowances Independent Review Panel (MAIRP), which had met on 10 January 2020 to consider evidence relating to outcomes and workload, as a means of assessing whether the current level of allowance was appropriate to the role. It was reported that the MAIRP considered that the allowance had been fixed at the correct level based on the evidence received.

During discussion of this item Members highlighted the issue of sustainability in respect of the two current pilot themes, namely, Mental Health and Domestic Abuse. Clarification was also sought as to whether with the introduction of new themes, Lead Councillors would be expected to oversee and lead on these in addition to outstanding work on existing themes. The Panel discussed the workload of Members and potential changes to the role going forward. Councillor J Taylor placed on record his concern that the MAIRP were not aware on 10 January of potential changes to role arising from the introduction of new themes.

RESOLVED – That any changes to the context and future of the role going forward be submitted to the MAIRP for consideration, prior to consideration by this Committee.

8 Amendments to the Health and Wellbeing Board Terms of Reference

The Committee received a report seeking endorsement of proposed changes to the Health & Wellbeing Board Terms of Reference. It informed the committee about new arrangements to manage the Children and Young People's Partnership and to develop a new Children and Young People's Plan. The Health and Wellbeing Board has agreed to provide governance for this work and to amend its terms of reference in order to do so. A copy of the amended terms of reference were appended to the report. It was reported that subject to this Committee's endorsement the proposed changes to Terms of Reference will progress to Council.

RESOLVED- That this Committee endorses the amended terms of reference for the Health and Wellbeing Board to provide an appropriate cross sector governance route for the oversight of the work of the Children and Young People's Partnership.

9 Treasury Management Strategy 2020-2021

The Committee considered a report which set out the Treasury Management Strategy 2020-2021, prior to its submission to Cabinet on 28 January 2020 and Council on 12 February 2020.

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 (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

Corporate Governance and Audit Committee - 25 January 201920

the Housing Revenue Account, and (v) recommended an annual Investment Strategy for the Council in 2020-2021 in line with MHCLG (2017) guidance.

The Head of Accountancy reported that the additional audit fee that were going through the Public Sector Accountancy Appointments (PSAA) fee variation process had been agreed. It was reported that Audit certificates for 2016/17 and 2017/18 had been issued and additional audit fees associated with this work were as follows:

- PFI objection - £20,963
- Additional work associated with closing the 2016/17 audit - £859
- Additional work associated with closing the 2017/18 audit – £859

RESOLVED - That Corporate Governance & Audit Committee recommend the following for approval by Cabinet and then Council:

- (i) the borrowing strategy outlined in paragraphs 2.15 to 2.21;
- (ii) the investment strategy (treasury management investments) outlined in paragraphs 2.22 to 2.31 and Appendices A and B;
- (iii) the policy for provision of repayment of debt (MRP) outlined in paragraphs 2.32 to 2.36 and at Appendix C;
- (iv) the treasury management indicators in Appendix D;
- (v) the Investment Strategy (Non-Treasury Investments) at Appendix E.

10 **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 January 2020, which set out details emerging national issues and developments.

During consideration of this item, concerns were expressed in relation the delay in signing off the Council's Statement of Accounts and the risk of reputational damage to the Council. Robin Baker explained that the delay resulted from the need for Grant Thornton to meet extra demands of the Financial Reporting Council as a result of an existing loan being considered a Public Interest Entity.

RESOLVED - That in the event of the Statement of Accounts not being signed off by the date of the next meeting, arrangements be made to invite a Senior National Partner of Grant Thornton to address Members of this Committee.

11 **Quarterly Report of Internal Audit 2019/2020 (Quarter 3)**

The Committee received a report which set out the activities of internal audit during the third quarter of 2019/2020. The report contained information regarding 22 formal opinion based pieces of work and various other projects or tasks. It was noted that, overall, 84% of the work had reflected a positive outcome, and that the cumulative positive outcome for the year was 80%, which was equal to the target.

The Committee were also advised that under the Regulation of Investigatory Powers Act Policy 2000, there had been no surveillance activities in this quarter.

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

RESOLVED - That the Internal Audit Quarterly Report (Quarter 3) be received and noted.

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 2019/2020 (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, setting out activity covering the period October to December 2020.

RESOLVED - That the Internal Audit Quarterly Report (Quarter 3) be received and noted.

KIRKLEES COUNCIL					
COUNCIL/CABINET/COMMITTEE MEETINGS ETC					
DECLARATION OF INTERESTS					
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 6 March 2020

Title of report: Report of the Members' Allowances Independent Review Panel (MAIRP) 2020/21

Purpose of report:

To recommend Council to approve the Members' Allowances Scheme for 2020/21, that takes account of recommendations proposed by the Members' Allowances Independent Review Panel regarding certain allowances.

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?	Not Applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	No
The Decision - Is it eligible for call in by Scrutiny?	No
Date signed off by <u>Strategic Director</u> & name	Rachel Spencer-Henshall Yes – 30.01.20
Is it also signed off by the Service Director for Finance?	Yes -29.01.20
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Yes – 30.01.20
Cabinet member portfolio	Councillor Graham Turner (Corporate) Yes – 10.02.20

Electoral wards affected: All

Ward councillors consulted: Not applicable

Public or private: Public

Has GDPR been considered? 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 10 January 2020. This report captures the outcomes of that meeting and the consequential changes to the Scheme as a result.

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 MAIRP is attached at Appendix A and puts forward the recommendations that:

- (i) The current Basic Allowance be increased in line with the amount awarded to Kirklees Council officers (% yet to be agreed as national negotiations are ongoing) with effect from 1 April 2020.
- (ii) All Special Responsibility Allowances (SRAs) be increased in line with the amount awarded to Kirklees Council officers (% yet to be agreed as national negotiations are ongoing) with effect from 1 April 2020.
- (iii) Should the amount awarded to Kirklees Council officers not be agreed by 1 April 2020, any increase should be backdated to this date.

The draft Members' Allowances Scheme for 2020/21 which takes account of the recommendations of the MAIRP, is attached at Appendix B.

Given the amount awarded to Kirklees Council officers is not yet known, we are unable to report on the additional cost to the overall Scheme should the above mentioned recommendation be agreed and implemented.

3. Implications for the Council

- **Working with People**
Not applicable.
- **Working with Partners**
Not applicable.
- **Place Based Working**
Not applicable.
- **Climate Change and Air Quality**
Not applicable.
- **Improving outcomes for children**
Not applicable.
- **Other (eg Legal/Financial or Human Resources)**
None in addition to those detailed above.

Do you need an Integrated Impact Assessment (IIA)?

Not required.

4. Consultees and their opinions

The Allowances panel have been consulted on the contents of this report and agree that it accurately reflects the outcomes of their discussion.

5. Next steps and timelines

Following consideration by Corporate Governance and Audit Committee, this report will be referred for consideration and approval by Council at its meeting on 18 March 2020.

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 2020/21 (as set out at Appendix B) with effect from 1 April 2020.

7. Cabinet Portfolio Holder's recommendations

That Corporate Governance and Audit Committee recommends that Council approves and adopts the Members' Allowances Scheme for 2020/21 (as set out at Appendix B) with effect from 1 April 2020.

8. Contact officer

Carl Whistlecraft
Head of Democracy and Place Based Working
carl.whistlecraft@kirklees.gov.uk
Tel: 01484 221000

9. Background Papers and History of Decisions

Report of Members' Allowances Independent Review Panel, January 2020.

10. Service Director responsible

Julie Muscroft
Service Director, Legal Governance and Commissioning

Report of The

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

10 January 2020

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 10 January 2020.

The following officers attended the Panel meeting:

Carl Whistlecraft, Head of Democracy
Deborah Nicholson, Councillor Support & Liaison 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 2020.

(b) Election of Chair of Independent Review Panel

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

4 Place Partnership Lead Councillor

At the Members' Allowances Independent Review Panel Meeting in July 2019, the Panel made the following recommendation:

(a) Following its evidence-led method of working the Panel would like to hear from the Place Partnerships Lead Councillors when the Panel meets in November 2019 to get a clearer idea of what work is involved and hear about what has (and has not) been achieved so far. They will consider reviewing the allowance at this time, alternatively the Panel will look at the allowance again when they meet in November 2020.

(b) The Panel would like to see evidence of the impact of the role and also positive outcomes relating to the pilot theme, Mental Health, Domestic Abuse.

(c) The Panel would also like to understand more about the relationship between the Place Partnerships Lead Councillors Role and the Cabinet Lead Member and also with the Councillors within their locality. They would like to know what the impact is, and how it has been achieved.

At its meeting on 10 January 2020 the Panel had the opportunity to meet with five of the Place Partnership Lead Members to discuss and explore the above mentioned points. In particular the Panel were keen to ensure that there was sufficient evidence of progress and more importantly to affirm that the role had been assigned the correct band within the overall scheme. In light of the evidence received the Panel made the following observations:

- That despite initial delays the role was now beginning to make real progress, with all Place Partnerships being able to evidence activity in line with the framework that had been co-produced by them;
- That this is an exciting and evolving initiative that will need time to develop properly and thereafter become embedded. This will take time, particularly in terms of being able to evidence impact and positive outcomes;
- That the current Band recommended by the Panel has been fixed at the correct level based on the evidence received;
- That the Panel will continue to revisit the role at future meetings to ensure that it is remunerated appropriately;
- That thought should be given to the ways in which engagement with Place Partnerships is included as part of the developing role profile for the Ward Councillor.

5 Representations from Group Leaders

The Panel received written representations from Cllr David Hall, Leader of the Conservative Group and Cllr Charles Greaves Leader of the Independent Group.

The Panel considered comments made relating to the Basic Allowance and Special Responsibility Allowance paid to Councillors and concluded that the Allowances Scheme as a whole would benefit from a full review with a view to recommending revision of the Scheme.

This review will take place in Summer 2020 and will have regard to the issues raised by of the written submissions as well as by other developments.

6 SRA paid to the Chair of Standards Committee

At the Members' Allowances Independent Review Panel Meeting in November 2018, 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 made recommendation that this be subject to review in 12 months.

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

In light of the evidence received the Panel made the following observations:

- The Chair of Standards role has not diminished and indeed some additional levels of complexity have emerged. For example there have been a number of significant issues over the last 12 months, with one particular matter receiving 50 complaints, 30 of which went through the Standards process;
- Noted that the Committee on Standards in Public Life have published the outcomes of a consultation, some of the recommendations by CSPL were already in place in Kirklees or have been introduced since the report;
- The role is seen as extremely important in governance and key to giving the public confidence in terms of the accountability and oversight arrangements in place;
- An acknowledgement that there is a growing need for the work in this area to be proactive, addressing issues before they enter formal procedure and resolving them by employing techniques such as conflict resolution.

In considering the evidence the Panel recommends that the Chair of Standards continues to be paid at Band E. The role will be revisited as part of the full review of the Scheme in the Summer of 2020.

7 Councillor Role Profile

The Panel received a draft of the new Councillor Role Profile and noted and welcomed the breadth of consultation which had gone into it. This had included dialogue with citizens, officers and councillors.

The Panel recommended that the finalised Councillor Role Profile be brought back for consideration when the review of the Allowances Scheme takes place in Summer 2020. This final Role Profile will, as in the past, form the foundation of the Panel's review of the Scheme.

8 Agree the rate for the Basic Allowance and Special Responsibility Allowance for 2020/21

The Panel considered changes to the Members allowance scheme for 2020/21.

In particular the Panel considered the following:

- (a) The Basic Allowance;
- (b) Special Responsibility Allowances (SRAs);

The Panel recommends that:

- (i) The current basic allowance be increased in line with the amount awarded to Kirklees Council officers (% yet to be agreed as national negotiations are ongoing) with effect from 1 April 2020.

- (ii) The increase of all special responsibility allowances (SRAs) in line with the amount awarded to Kirklees Council officers (% yet to be agreed as national negotiations are ongoing) with effect from 1 April 2020.
- (iii) Should the amount awarded to Kirklees Council officers not be agreed by 1 April 2020, any increase will be backdated to this date.

9 Consequential changes to the Scheme

There are no consequential changes to be made to the scheme.

Report produced on behalf of the Members Allowances Independent Review Panel by Carl Whistlecraft, Head of Democracy, January 2020.

Kirklees Council Members' Allowances Scheme 2020-2021

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 10 January 2020.

*** Amounts to be amended in line with the % amount awarded to Kirklees Council officers once national negotiations are complete.**

1. The Members' Allowances Scheme will apply from 1 April 2020 to 31 March 2021.

2. Basic allowances for ward duties*

2.1 The amount allocated per annum to each elected councillor for ward duties is £13,627 (plus agreed %)

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 2020 or 31 March 2021 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:-

	£ per year (plus agreed %)
Leader	25,658
Deputy leader	19,243
Band A	
Cabinet member	12,519
Band A1	
Chair of Overview and Scrutiny	11,267
Group Leader (30+ councillors)	11,267
Band B	
Group Leader (7-29 councillors)	10,016

Business Manager (30+ councillors)	10,016
Band B1	8,763
Band C	
Business Manager (20-29 councillors)	7,512
Band C1	
Chairs of Planning Committees	6,260
Lead Members of Scrutiny Panels	6,260
Band C2	
Police and Crime Panel Members	6,120
Band D	
Business Manager (7-19 councillors)	5,009
Chair of Licensing and Safety Committee	5,009
Place Partnership Lead Councillor	5,009
Band D1	
Group Leader (2-6 councillors)	3,757
Deputy Group Leader (12+ councillors)	3,757
Chair of Appeals panel	3,757
Band E	
Chair of Corporate Governance and Audit committee	2,503
Chair of Standards Committee	2,503
Business Manager (3-6 councillors)	2,503
Band E1	
Adoption Panel member	1,251
Day Rate	
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 2020 or 31 March 2021 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. Parental Leave Policy

The Policy is set out at Appendix 2.

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 3.

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 (plus agreed %) for a full day meeting and £66 (plus agreed %) for meetings less than four hours. Periods of adjournment will not be included in the allowance payment.

APPENDIX 1

Travel and subsistence rates from 1 April 2020 (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.

Parental Leave Policy

Introduction

This Policy sets out Members' entitlement to maternity, paternity, shared parental and adoption leave and relevant allowances.

The objective of the policy is to ensure that insofar as possible Members are able to take appropriate leave at the time of birth or adoption, that both parents are able to take leave, and that reasonable and adequate arrangements are in place to provide cover for portfolio-holders and others in receipt of Special Responsibility Allowances (SRA) during any period of leave taken.

Improved provision for new parents will contribute towards increasing the diversity of experience, age and background of local authority councillors. It will also assist with retaining experienced councillors – particularly women – and making public office more accessible to individuals who might otherwise feel excluded from it.

There is at present no legal right to parental leave of any kind for people in elected public office. This applies to MPs as well as councillors, and has been the subject of lengthy debate. These policies can therefore only currently be implemented on a voluntary basis. Discussions are ongoing about changing the law to enable compulsory provision.

Legal advice has been taken on these policies, and they conform with current requirements.

1. Leave Periods

1.1 Members giving birth are entitled to up to 52 weeks maternity leave.

1.2 Where the birth is premature the leave will commence the day after the birth takes place. The Member is entitled to take up to 52 weeks maternity leave.

1.3 If your baby is born prematurely and you have already started your maternity leave, there is the option for you to request extended leave at the end of the maternity leave.

1.4 Members shall be entitled to take a minimum of 2 weeks paternity leave if they are the biological father or nominated carer of their partner/spouse following the birth of their child(ren).

1.5 A Member who has made Shared Parental Leave arrangements through their employment is requested to advise the Council of these at the earliest possible opportunity. Every effort will be made to replicate such arrangements in terms of leave from Council.

1.6 Where both parents are Members leave may be shared up to a maximum of 50 weeks. Special and exceptional arrangements may be made in cases of prematurity.

1.7 A Member who adopts a child through an approved adoption agency shall be entitled to up to 52 weeks adoption leave.

1.8 Any Member who takes maternity, shared parental or adoption leave retains their legal duty under the Local Government Act 1972 to attend a meeting of the Council within a six

month period unless the Council Meeting agrees to an extended leave of absence prior to the expiration of that six month period.

1.9 Any Member intending to take maternity, paternity, shared parental or adoption leave will be responsible for ensuring that they comply with the relevant notice requirements of the Council, both in terms of the point at which the leave starts and the point at which they return.

1.10 Any member taking leave should ensure that they respond to reasonable requests for information as promptly as possible, and that they keep officers and colleagues informed and updated in relation to intended dates of return and requests for extension of leave.

2. Basic Allowance

2.1 All Members will receive:

- 6 weeks at 90% of the Basic Allowance.
- 33 weeks at half the Basic Allowance plus the equivalent weekly amount paid of Statutory Maternity/Adoption pay.

3. Special Responsibility Allowances

3.1 Members entitled to a Special Responsibility Allowance whilst on Maternity, Paternity, Shared Parental or Adoption Leave will receive:

- 6 weeks at 90% of the Special Responsibility Allowance.
- 33 weeks at half the Special Responsibility Allowance.

3.2 Where a replacement is appointed to cover the period of absence that person shall receive an SRA on a pro rata basis for the period of the temporary appointment.

3.3 The payment of Special Responsibility Allowances, whether to the primary SRA holder or a replacement, during a period of maternity, paternity, shared parental or adoption leave shall continue for a period of 39 weeks, or until the date of the next Annual Meeting of the Council, or until the date when the member taking leave is up for election (whichever is soonest).

3.4 Should a Member appointed to replace the member on maternity, paternity, shared parental or adoption leave already hold a remunerated position, the ordinary rules relating to payment of more than one Special Responsibility Allowances shall apply.

3.5 Unless the Member taking leave is removed from their post at an Annual General Meeting of the Council whilst on leave, or unless the Party to which they belong loses control of the Council during their leave period, they shall return at the end of their leave period to the same post, or to an alternative post with equivalent status and remuneration which they held before the leave began.

4. Resigning from Office and Elections

4.1 If a Member decides not to return at the end of their maternity, paternity, shared parental or adoption leave they must notify the Council at the earliest possible opportunity. If a Member decides not to return or does not return for 33 weeks, The Council is entitled to claim back the 33 weeks allowance paid at 50%. If a Member fails to return for a full 33 weeks a proportion of the allowance will be claimed back.

4.2 If an election is held during the Member's maternity, paternity, shared parental or adoption leave and they are not re-elected, or decide not to stand for re-election see point 4.1.

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 £8.20 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.



Name of meeting: Corporate Governance & Audit Committee
Date: 6th March 2020

Title of report:
Annual Governance Statement 2018/19 - Quarter 3 Action Plan Update

Purpose of report: To provide the Committee with details of Service Director progress in implementing the items in the Action Plan.

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?	Not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	Not applicable
The Decision - Is it eligible for "call in" by Scrutiny?	Not applicable
Date signed off by Director & name Is it also signed off by the Service Director for Finance?	Yes
Is it also signed off by the Service Director for Legal, Governance & Commissioning?	Yes
Cabinet member portfolio	Cllr Shabir Pandor

Electoral wards affected: All
Ward councillors consulted: Not applicable
Have you considered GDPR; Yes
Public

1. Summary

- 1.1 The Committee is asked to note progress with Significant Governance Issues in the Action Plan devised in response to the 2018/19 Annual Governance Statement signed off by the Chief Executive and Leader of the Council. Whilst the Action Plan is compiled by Internal Audit, details of progress reflect updates from Service Director Issue owners.
- 1.2 The Statement is a statutory requirement and accompanies the Statement of Accounts in order to provide readers with assurance about the governance and internal control environment in which they have been compiled and to which they relate.
- 1.3 The 2018/19 Statement contained 17 Issues reflecting a focus on self-awareness prior to the Corporate Peer Review Challenge last year. Whilst some are self-contained and reasonably straightforward to address, such as reviewing the Local Code of Corporate Governance, another item on this

meeting's agenda, others are more wide ranging and necessarily more complex to implement and often crucially to embed across the organisation, such as the revised performance management framework.

1.4 Since Quarter 2 significant progress has been reported in the following areas:

- Risk Management,
- Financial Planning & Budgeting,
- Procurement Rule Compliance
- Challenge in Governance Arrangements
- Local Government Ethical Standards
- SAP Access

1.5 A number of Issues are not scheduled to be completed before the end of March.

1.6 A final assessment of the extent of progress with each Issue will be made at year end at which time reflection will determine whether or not to carry forward the Issues into the 2019/20 Statement if they remain "Significant".

Simultaneously, the review will highlight any new or emerging Issues for consideration. Members may wish to begin to reflect on their knowledge of any Issues about which they have a concern that may merit consideration for inclusion in the 2019/20 Statement ahead of the April Meeting.

2. Information required to take a decision

2.1 The detail is contained within the 2018/19 Statement and Action Plan.

3. Implications for the Council

3.1 **Working with People** – None directly

3.2 **Working with Partners** – None directly

3.3 **Place Based Working** – None directly

3.4 **Improving outcomes for Children**– None directly

3.5 **Other (e.g. Legal/Financial or Human Resources)** - Although each of the sub categorisations above suggest no direct implications, the annual review of the effectiveness of the internal control and governance arrangements and Significant Governance Issues arising covers all aspects of the Council's operations, including elements of the above, either specifically, indirectly or on a commissioned basis.

4. Consultees and their opinions

4.1 Executive Team and relevant Service Directors have all been consulted on progress with the 17 Issues.

4.2 The Committee received an update at the end of Quarter 2.

5. Next steps & Timelines

- 5.1 An evaluation of year end progress with the 2018/19 Action Plan is essentially the precursor to the annual review of internal control and governance arrangements and the compilation of the 2019/20 Draft Statement that will be brought to the April meeting.

6. Officer recommendations and reasons

- 6.1 Members are asked to note progress at Quarter 3.

7. Cabinet portfolio holder recommendation

Not applicable.

8. Contact officer

Simon Straker, Audit Manager - 73726

9. Background Papers and History of Decisions

Annual Governance Statement 2018/19.
Action Plan Monitoring, Quarterly Reports of Internal Audit 2019/20

10. Director responsible

Chief Executive.

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Kirklees Council

Annual Governance Statement
2018/19

Action Plan Progress – Quarter 3

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
	<p>proposals into the February 2020 report, ultimately.</p> <p>This has now been completed.</p>		
<p>Manage delivery of the Council's Transformation Activities.</p>	<p>Focus on providing support and challenge, and monitoring delivery of the following areas of priority:</p> <ol style="list-style-type: none"> 1. Organisation Design - determine the future shape of the organisation. 2. Development of place-based working with communities and delivering services that recognise the diversity of the different places across Kirklees and their needs, facilitated by an adjustment of resources during the year. <p><u>Update:</u></p> <ul style="list-style-type: none"> • Annual Council in May considered and agreed a report of the Chief Executive which introduced the development of Place Partnerships in the context of Place Based Working. • This new initiative will be piloted and is predicated on looking at how to address strategic issues on a geography wider than the Ward. This year the issues are mental health and domestic abuse and money has been set aside in the budget accordingly. • Seven Place Partnerships have been established based on demographics and Place Partnership Lead Councillors have 	<p>Strategic Director Corporate Strategy, Commissioning & Public Health</p>	<p>March 2020</p> <p>December 2019</p>

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
	<p>been nominated for each one. Each Lead Councillor will have a dedicated officer to support them. The Leads have agreed a 9 stage framework in terms of how they will progress their work. They are in the process of planning their next steps which will involve engagement with elected councillors, relevant services, key stakeholders and the community to understand what already exists, what the gaps are and thereafter determine the commission.</p> <p>3. Strengthening enabling services to work more effectively to support and challenge delivery with two pilots implemented by the end of the year.</p> <p>4. High Needs, Placements & Waste - existing areas of work within Services, where Executive Team has identified that a broader approach may be beneficial, although timescales will vary</p> <p>5. Adult Social Care, Children's Improvement which the relevant Service Directors own – to complete the transformation process as change is embedded into working practice.</p> <p><u>Update:</u></p> <p>Ongoing – linkages to the Financial Strategy and additional areas of focus including on Parking Income, School Transport & High Needs.</p>	Service Director Strategy & Innovation	March 2020
Strengthen Partnership	Embed the revised executive arrangement of themed meetings throughout the year that draw the partner together on a topic basis.	Service Director Strategy & Innovation	December 2019

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
Governance	<p><u>Update:</u></p> <p>The revised arrangements for Partnership Executive and themed meetings is now complete. For example, the membership of the Executive is clear and there have been themed breakfast meetings, e.g. around place-based working.</p> <p>Embed the interim governance control and management changes enabling revised responsibilities and authority between the Cabinet and KNH Board to become operational and seamless prior to a review in 12-18 months.</p> <p><u>Update:</u></p> <p>Ongoing</p> <p>Complete the refresh of arrangements for the Health & Wellbeing Board with engagement including other local authorities.</p> <p><u>Update:</u></p> <p>Ongoing</p>	Service Director Growth & Housing	March 2020
	Service Director Community Plus & Integration	March 2020	
Strengthen Risk Management	<p>Address the quality and consistency of the directorate based risk management processes and new and emerging risk elevation.</p> <p><u>Update:</u></p>	Service Director Legal, Governance & Commissioning	October 2019

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
	<ul style="list-style-type: none"> • A revised format for directorate risk reporting has been developed, which incorporates both service risks and contributions to corporate risk. There is greater oversight of the process by a risk panel. Training has been provided to the majority of senior managers on the principles of risk management, and how this works in the Council. Regular reporting of emerging risk issues to Executive Team, and executive councillors, though this is still not fully integrated with risk reporting process. • The next stage is to try to achieve consistency of directorate risk information, and secure timely review and updating. Changes made to format of some reporting. Quality checking undertaken on directorate submissions, with advice provided, seeking formalised update for each service area confirmed by director (& SLT) by 31 March 2020. • Recent IA review had positive (adequate assurance) outcome, with need to seek higher quality directorate/service submissions to bring early transparency to areas of key exposure. 		
Continue to implement & embed the refreshed Children's Services 3 year	Implementing and embedding actions in the 3 year Improvement Plan cover various time horizons. In the coming year the focus will be to complete the year 2 strengthening phase of designing and developing a stronger strategic approach and to continue work towards embedding as planned by July 2020 as follows:	Service Director Family Support & Child Protection	

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
Improvement	<ul style="list-style-type: none"> • To audit the evidential base for reported actions and progress to date to provide assurance of its robustness prior to the next Ofsted inspection. • To ensure that consistency and quality improves in relation to a timely initial response to cases where children need a social work assessment, and in relation to ensuring that children’s records are comprehensive and up to date. • To complete a comprehensive core skills programme of training for social workers and managers in order to support good-quality improvements across the workforce. <p><u>Update:</u></p> <ul style="list-style-type: none"> • The evidential base was audited in June and found to be robust. • The Ofsted inspection in July concluded with an improved <i>Requires Improvement to be Good</i> rating, which acknowledged the work done to date in addressing the concerns raised at the previous inspection, specifically clear and focused leadership; a strengthening of partnerships; and improved workforce stability. No widespread or serious failures were found, children who need help and protection are now recognised and the risk of significant harm is being responded to quickly. However, the inspection acknowledged the amount of measures still to implement and embed fully in accordance with the third year of the Improvement Plan. 		<p>June 2019</p> <p>March 2020</p> <p>March 2020</p>

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
	<ul style="list-style-type: none"> • Strengthened governance process now in place. The issue now is effectively embedding this strengthened process. • Corporate Scrutiny Panel have on their forward programme for 2019/20 a progress report on capital plan delivery and capacity] which will be coming March 2020. 		July 2019 – revised December 2019
Improve Information Governance to manage GDPR compliance and Cyber Security.	<p>Corporate Data Protection Act 2018 including GDPR compliance and working to embed across the organisation.</p> <p><u>Update:</u></p> <ul style="list-style-type: none"> • A second self-assessment of progress by Service Directors to measure their work towards compliance against the 10 GDPR deliverables has taken place and the results analysed. As GDPR had been in place for almost 12 months, Services were expected to be performing at an <i>Implementing or Established Way of Working</i> level. Whilst there was still a mixture of response levels, these were more focussed on the expected levels. • The Information Asset Owners (Service Directors) received the detailed scores and comments. The IG team are continuing to support their process development and progress compliance into the desired level. • ET has requested six monthly self-assessments continue for now, and the Information Governance Board has agreed the 	Service Director Legal, Governance & Commissioning	Throughout 2019/20

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
	<p>next one be scheduled for December 2019 and then June 2020; thereafter an annual review will be undertaken.</p> <ul style="list-style-type: none"> • IG Team will continue to support Service Directors with specific development needs. <p>Ongoing technical work and IT staff training to maintain a robust network as per the Cyber Security Strategy.</p> <p>Update:</p> <ul style="list-style-type: none"> • Cyber Awareness Training: working with an external supplier on the implementation of Local Government cyber awareness e-learning videos for all Council colleagues to access. • Cyber Exercise: Working with Emergency Planning colleagues to test our cyber readiness, split into three parts: <ul style="list-style-type: none"> • Technical with IT – December 2019 • Business Continuity with Service Areas, identified by the Emergency Planning Team (non- IT) – December 2019 • Strategic with Executive Team – January 2020 	Service Director Strategy & Innovation	Throughout 2019/20
Improve effectiveness and challenge in governance	Local Government Association Peer Review in July 2019 reviewed our arrangements and provided a challenge to their robustness. An Action Plan was compiled to implement the agreed recommendations.	Executive Team	September 2019

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
arrangements.	<p><u>Update:</u></p> <p>The final report has been agreed recently and went to Cabinet and Council in November along with a plan for how the LGA's recommendations will be taken forward.</p> <p>CGAC to review the Code of Corporate Governance.</p> <p>Complete planned externally facilitated Scrutiny Panel training on commercialisation, and identify and deliver as appropriate refresher training to CGAC on financial statements, treasury management and other training needs.</p> <p>Continue to complete actions from the Democracy Commission.</p> <p><u>Update:</u></p> <p>A report will be taken to CGAC at its March 2020 meeting which reviews the Code of Corporate Governance.</p> <p>CGAC has received training on treasury management during the year which took place on 15 November commercialisation training for scrutiny was run by the Local Government Association and held on 21 November.</p> <p>At the beginning of the next municipal year we will identify training for 2020/21.</p>	Service Director Legal, Governance & Commissioning	Throughout 2019/20

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
Ensure Procurement Rule Awareness and Compliance	<p>Complete work on increasing the transparency and visibility of the Council's contracts.</p> <p>Implementation the new procurement model which highlights compliance and value for money challenges within the categories of spend.</p> <p><u>Update:</u></p> <ul style="list-style-type: none"> • Continued work with stakeholders to ensure compliance, transparency and visibility of council contracts. • Category managers are established and taking ownership of areas of spend, providing high support and high challenge. • Procurement governance pathway established within Adults Directorate to ensure oversight, ownership, check/challenge and sign off all procurement activities. 	Service Director Legal, Governance & Commissioning	March 2020
Improve manager capacity and skill base.	<p>Complete implementation of the People Strategy and embed across the manager base.</p> <p><u>Update:</u></p> <p>The work of the People Strategy has been split into 3 key themes – Wellbeing, Development and Attraction. Updates on each</p>	Strategic Director Corporate Strategy, Commissioning & Public Health	March 2020

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
	<p>theme have been reported regularly to Scrutiny Panel and the Modern Organisation Board. The latest update focuses on the Attraction theme. Some key achievements include:</p> <ul style="list-style-type: none"> • Our extensive use of the apprenticeship levy for both new starters to the Council and existing staff and managers to support our workforce development and succession planning • The use of community outreach programmes to engage with and attract a more diverse workforce • The procurement of a new digital recruitment platform which will significantly streamline and improve the recruitment process for our managers as well as applicants <p>The People Strategy will be refreshed this year following engagement with stakeholders.</p>		
Improve Income Collection.	<p>Revise Financial Procedure Rules to clarify responsibilities and strengthen overall control.</p> <p>Pursue all debt wherever possible, or cancel or write-off if not, in accordance with existing procedures.</p> <p>Target key areas for improved income collection procedures with regard to commercial activity, implement and monitor effectiveness.</p> <p><u>Update:</u></p> <ul style="list-style-type: none"> • All milestones achieved. 	Service Director Finance	<p>May 2019</p> <p>Quarterly through 2019/20</p> <p>October 2019</p>

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
	<ul style="list-style-type: none"> • The issue now is to monitor effectiveness over time which is being overseen by a monthly Project Board chaired by the Service Director. • Trade waste activity is currently being reviewed to enhance a more commercial approach. 		
Some key Medium Term Risks require Decisions in the Short Term, such as Waste Strategy & Management	<p>Continue to monitor medium term risks and ensure an effective combination of pace and thorough consideration of those with significant long term impact, of which the Waste Strategy, and the renewal on waste disposal arrangements (2023-2028) is one of the most significant given the potential cost implications.</p> <p><u>Update:</u></p> <p>Ongoing</p>	Service Director Environment	Throughout 2019/20
Compliance with new Local Government Ethical Standards.	<p>Propose changes to some practice and some amendments to strengthen the Code of Conduct to CGAC and Annual Council and ensure compliance. If adopted, further work to keep this under review and monitor compliance.</p> <p><u>Update:</u></p> <p>The Council has updated its Code of Conduct and changed some practice following the recommendations from the Committee on</p>	Service Director Legal, Governance & Commissioning	<p>October 2019</p> <p>As necessary</p>

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
	<p>Standards in Public life. It continues to review this and at the last meeting of Standards Committee it was agreed to consult on with Stakeholders about its Standards process. That will be reported back in due course.</p> <p>We will respond to any changes in legislation as they occur.</p>		
<p>Governance arrangements need developing to identify and manage issues arising from historically different service delivery.</p> <p>To learn from the lessons arising and make sure the issues are addressed.</p>	<p>Develop a corporate approach that satisfies initial management of such issues as they emerge through the corporate risk management process via the Risk Panel and are flagged up to ET and enables organisational reflection and learning.</p> <p><u>Update:</u></p> <p>Where issues such as historically poor safeguarding, health and safety or HR practices are identified, checking will be undertaken to ensure that the same practices are not still in operation. Moving to a focus on being less insular and drawing upon wider external assurances and develop an assurance backed culture.</p>	Service Director Legal, Governance & Commissioning / Executive Team	Throughout 2019/20
Corporate health and safety assurance needs developing.	Implement agreed recommendations from the 2018/19 Internal Audit Report, specifically to resource a return to the delivery of corporate Management System audits at the stated risk based frequency to provide assurance of key control adequacy and effectiveness, and	Strategic Director Corporate Strategy, Commissioning & Public Health	July 2019

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
	<p>report to ET and Members accordingly.</p> <p><u>Update:</u></p> <ul style="list-style-type: none"> • Management System audit frequencies have been reinstated as at least every five years for all Services and now include a standardised opinion of arrangements • Additional corporate monitoring staff have been appointed • Ten audits are scheduled for 2019-20. 		
Various recent cases suggest School Governance Arrangements need review and possible revision.	<p>Look to understand what is causing a (historically) large number of complaints about governance and management in schools, and look to identify potential solutions.</p> <p><u>Update:</u></p> <p>Ongoing</p>	Service Director Learning & Early Support	Throughout 2019/20
Key Financial Systems Security and User Access Controls need strengthening.	<p>IT and HD One staff to address the key outstanding SAP & Northgate access and usage control issues identified by external audit.</p> <p><u>Update:</u></p> <ul style="list-style-type: none"> • Of the 4 key recommendations relating to SAP set out by Grant Thornton, recommendations 1-3 have now been 	Service Director Finance	July 2019 – revised December 2019

Significant Governance Issue	Action	Director Owner / Lead	(Revised) Target Completion
	<p>actioned. Recommendation 4 concerning routine continuous user monitoring is currently outstanding, as it requires increased corporate capacity to effectively manage going forward, and is something senior management are committed to supporting.</p> <ul style="list-style-type: none"> • The remaining GT recommendations 5-7 relate specifically to Northgate (revenues and benefits system) and these remain a WIP. • External audit revisited in December 2019 to independently review progress against the above, and will report back to CGAC in due course. 		

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The Audit Findings for Kirklees Metropolitan Council

Year ended 31 March 2019

Updated – 25 February 2020



Contents



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- B. Audit adjustments
- C. Fees

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kirklees Metropolitan Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:

- give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The majority of our final accounts audit work was completed on site during June and July 2019 with further work relating to the valuation of Land and Buildings continuing until December 2019. Our findings are summarised on pages 4 to 18. We identified one material amendment to the financial statements that resulted in a £23m adjustment to the Council's net pension liability. This adjustment reflects a national legal case where a ruling in June 2019 altered the Council's initial accounting treatment. Officers have updated the draft financial statements based on a revised actuarial assessment which incorporates an estimate of the additional pension liability related to the ruling.

Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. At this stage we anticipate our audit opinion will be unqualified.

Our work is substantially complete, subject to the following outstanding matters:

- completion of our internal quality review procedures including final Engagement Lead review
- review of the final set of financial statements; and
- receipt of the management letter of representation.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of the Council and the financial statements we have audited.

In line with our planned approach we have challenged key elements of the Council's valuation of its land and buildings including:

- The Council revalues its land and buildings on a rolling five year basis. Because the Council's portfolio is significant this means that the carrying value of land and buildings not revalued in the year may be different to its current value. The Council has a range of processes in place to assess the potential difference and none of these identified a material difference. As part of our audit we have provided further challenge to this view and officers have now completed a more detailed review which has also identified that any uncertainty is not material. Going forward the Council should review its approach to valuing its Land and buildings and increase the frequency of the valuations to ensure the carrying value are not materially different to the current value of the assets.
- The Council's accounting policy states that investment properties are 'revalued annually'. Our audit identified that most Investment properties are formally revalued annually however those worth less than £250,000 are revalued on a five year cyclical programme. The Code states that "The fair value of investment property shall reflect market conditions at the end of the reporting period". For investment properties not revalued in the year we have confirmed the majority of these assets are long-term ground rents. We are satisfied the value is not materially misstated, however going forward the Council should review its approach to ensure compliance with the Code.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kirklees Metropolitan Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	<p>We have completed our risk based review of the Council's value for money arrangements.</p> <p>Since OFSTED rated the Council's Children's services as inadequate in 2016, the Council has made improvements in the service provided. A strategic partnership was agreed with Leeds City Council and an Improvement Plan developed and implemented. The OFSTED monitoring report in January 2019 identified that 'significant improvement' had been made.</p> <p>OFSTED carried out a full re-inspection of the Council's Children's Services in June 2019, reported in August 2019, which resulted in a rating of 'Requires Improvement to be good'. The report confirms that 'steady progress has been made in strengthening the foundations for sustainable service improvement'. The report also concludes that there are still improvement to be made' and the Council is continuing to address these areas.</p> <p>We have concluded that Kirklees Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised on pages 19 to 21.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and To certify the closure of the audit. 	<p>We have not exercised any of our additional statutory powers or duties and we have not received any questions or objections at audit.</p> <p>We note that KPMG, your previous auditors, have determined the outstanding objection and issued their audit certificates for 2016/17 and 2017/18.</p> <p>We have completed the majority of work under the Code but do not expect to be able to issue our completion certificate until we complete our work on the Whole of Government Accounts (WGA) return.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Group's business and is risk based, and in particular included:

- an evaluation of the Group's internal controls environment, including its IT systems and controls;
- an evaluation of the Group component and specified procedures for Kirklees Neighborhood Housing's net pension fund liability and disclosures; and

- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you on 26 February 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding tasks set out below being resolved, we anticipate issuing an unqualified audit opinion. These outstanding tasks include:

- completion of our quality review procedures including final Engagement Lead review;
- review of the final set of financial statements; and
- receipt of the management letter of representation

Our approach to 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.

Materiality calculations remain the same as reported in our audit plan.

We detail in the table below our determination of materiality for Kirklees Metropolitan Council.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	17,300,000	17,200,000	<ul style="list-style-type: none"> • This equates to 1.75% of the previous year's gross cost of services expenditure and is considered to be the level above which the users of the accounts would wish to be aware in
Performance materiality	11,245,000	11,180,000	<ul style="list-style-type: none"> • Assessed to be 65% of financial statements materiality
Trivial matters	865,000	860,000	<ul style="list-style-type: none"> • Assessed to be 5% of financial statements materiality
Materiality for Officers Remuneration	20,000	20,000	<ul style="list-style-type: none"> • This item merits a lower materiality than financial statement level materiality due to being of particular interest to the public.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

1

Fraudulent revenue transactions

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.

Auditor commentary

We previously considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority. We have determined that the risk of fraud arising from revenue recognition can be rebutted because:

- there is little incentive to manipulate revenue recognition
- the culture and ethical frameworks of local authorities, including Kirklees Metropolitan Council, mean that all forms of fraud are seen as unacceptable
- income streams are primarily derived from grants or formula based income from central government and tax payers; and opportunities to manipulate other revenue streams are very limited.

We therefore do not consider this to be a significant risk

We have however:

- evaluated the Council's accounting policy for recognition of revenues for appropriateness;
- performed substantive testing on material revenue streams; and
- reviewed unusual significant transactions.

We have not identified any issues during the course of our audit that would cause us to reconsider the previous rebuttal of the risk of improper recognition of revenue.

2

Management override of controls

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.

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.

Auditor commentary

We have undertaken the following procedures in relation to this risk:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk or unusual journals
- tested high risk / unusual journals recorded for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of land and buildings

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.

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.

Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing. And are revalued annually.

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.

We 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.

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation experts
- written to the valuers to confirm the basis on which the valuations were carried out.
- challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluated 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;
- for those assets revalued in 2018/19 with a valuation date of 1 April 2018, we have assessed whether there is likely to have been a material change in the valuation to 31 March 2019.

In line with our agreed audit approach we have provided appropriate challenge and review to the Council's approach to valuing its Land and buildings. We have set out our view of the assumptions and methodology used in the valuation of land and buildings under the judgements and estimates section on pages 12 and 13.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

4

Valuation of pension fund net liability

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.

The group's pension fund net liability is considered a significant estimate due to the size of the numbers involved (PY 648.5m) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the group and Council's pension fund net liability as a significant risk and a key audit matter.

Auditor commentary

We have undertaken the following work in relation to this risk:

- obtained an 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 evaluated the design of the associated controls;
- evaluated the assumptions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried your pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested 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;
- undertaken 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; and
- sought 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.

There are two significant matters arising in relation to our audit of the Pension fund net liabilities this year:

- consideration of a prior period adjustment that has been identified as a result of an error identified from the work of the actuary in the previous year, and
- review of an adjustment to the pension liability assessment arising from the recent McCloud legal ruling.

Details of both of these matters are set out on page 11 of this report.

Our audit work has not identified any other issues in respect of valuation of net pension liabilities.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

5

PFI Schemes

The Council has a number of assets that are financed under PFI arrangements.

PFI schemes are complex and material accounting transactions arising from these schemes are derived from detailed financial models in particular:

- accounting treatment of the unitary charge
- derivation of PFI Liabilities and accounting disclosures

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.

Auditor commentary

We have undertaken the following work in relation to this risk:

- Obtained the operators model and confirmed this is to all material respects consistent with expectation by comparison with the Grant Thornton model.
- Reviewed the accounting models for the four PFI schemes to confirm the appropriateness of each model in reflecting individual scheme arrangements.
- Reviewed material transactions, balances and disclosures within the financial statements and confirm consistency with financial models.

Our audit work has not identified any issues in respect of the recognition and accounting treatment of PFI schemes within the financial statements.

Significant findings arising from the group audit

Component	Findings	Group audit impact
Kirklees Neighbourhood Housing Limited (KNH)	We have reviewed the consolidation undertaken by the Council and carried out specified procedures on entries that are material to the financial statements of the Group, specifically the subsidiary's net pension fund liability and relevant disclosures.	<ul style="list-style-type: none"> KNH have not revised the Net Defined Benefit Pension Liability within their financial statements for liabilities from the McCloud judgement but we are satisfied that the impact would not be material to the Group.
Kirklees Stadium Development Limited (Joint Venture)	The Council's Group financial statements are required to be prepared under the CIPFA Code which requires Property, plant and equipment is carried at current value. During the audit we identified that in recognising the Authority's 40% interest in the Joint Venture Company, the valuation of the Stadium complex had been recognised at historical cost and not adjusted to Depreciated Replacement Cost on the consolidation of the Council's investment interest in the group Accounts.	<ul style="list-style-type: none"> Following the challenge raised during the audit the Council has provided further evidence about the likely Depreciated Replacement Cost of the Stadium and the potential impact on the Council's Group financial statements. We have reviewed the information provided and are satisfied that there is no material impact on Council's Group financial statements. It is likely that the value of Council's equity stake is approximately £2.8m higher than the amount reflected in the Group financial statements. Going forward the Council should ensure that it obtains a full Code compliant valuation of the Stadium complex to enable appropriate adjustments to be made to the Joint Venture Company's accounts to enable the appropriate adjustment to be made on consolidation.

Significant findings - other issues

This section provides commentary on issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue

Commentary

Auditor view

1 Prior Year adjustment – Pension Net Liability

Whilst preparing the pension fund accounting results for the Council for 2018/19 the Actuary identified an error in the previous accounting information provided in 2017/18 (i.e. to 31 March 2018). The actuary identified that the previous years report had included pension fund assets that had transferred to Kirklees Neighbourhood Housing in the Council resulting in both the Council and group pension fund asset being overstated by around £66m (around 3.7% of the assets) and consequently the Net Liability relating to the pension scheme being understated by the same amount.

The Actuary originally adjusted this error in the 2018/19 disclosure for Kirklees Council as a “remeasurement loss on assets” rather than adjusting the opening assets value for the start of the accounting period.

- We discussed this issue with the finance team and confirmed that this related to a material error in the prior year estimate of Pension assets and should therefore be recognised as a prior year adjustment in the 2018/19 financial statements.
- The Council requested restated actuarial reports from the Actuary for 2017/18 and 2018/19 and these were received and processed, resulting in restated prior year comparative figure

CIES

- Remeasurement of the net defined benefit pension liability - £66,148k

Balance Sheet

- Long Term Liabilities + £66,148k
- Unusable Reserves - £66,148k

- We are satisfied that the error has been appropriately treated as a prior period adjustment.
- We are satisfied there is no significant risk of such an error occurring in 2018/19 since there have been no transfers of staff during 2018/19.

2 McCloud Judgement

The Court of Appeal has ruled that there was an age discrimination in the judges and firefighter pension schemes where transitional protections were given to some scheme members.

The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.

The legal ruling around age discrimination (McCloud – Court of Appeal) has implications not just for those pension schemes involved in the case but also for other pension schemes where they have implemented transitional arrangements on changing benefits.


Discussion has been ongoing in the sector regarding the potential impact of the ruling on the financial statements of local government bodies. In our view there is sufficient clarity about the implications of the McCloud case that the increased liability should be reflected in the IAS 19 figures in the Council's balance sheet.

The Council has requested and obtained an updated valuation from their Actuary, Aon Hewitt which has increased the Past Service Cost, Other long term liabilities, any Pension Reserve by £23,017k, which has been reflected in the revised Accounts. (See amendments – Appendix C).

Auditor view

- We have reviewed the report of the Actuary and are satisfied that the revised valuation has been appropriately recognised in the financial statements.
- We have also noted the findings from our internal actuaries which has provided us with assurance over the assumptions and methods employed by Aon Hewitt in compiling the McCloud liability estimates.


Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Land and Buildings (Council Housing) - £618m NBV	<p>The Council owns 22,395 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council continued to engage external valuer Cushman and Wakefield LLP to complete the valuation of these properties. The year end valuation of Council Housing was £617.8m a net increase of £18.5m, following additions of £18m and disposals/transfers of £5.7m</p>	<p>From our work performed in this area we have gained assurance over the valuation of the Council's Housing Stock included within the financial statements:</p> <ul style="list-style-type: none"> We are satisfied that the valuer has prepared the valuation using the Stock Valuation Guidance issue by MHCLG. We are satisfied that the external valuer's use of an adjustment factor of 36% for Existing Use Value – Social Housing, rather than the Stock valuation guidance (November 2016) discount factor for Yorkshire and Humber as 41% is appropriate based on their review local conditions and information. Whilst the valuation was carried out at 1 April 2018, we are satisfied the valuation is not materially different to the carrying value at 31 March 2019 based on our review of the movement in relevant indices during 2018/19 and discussions with the Council's internal valuers. 	 Green

Assessment

- Page 58**
- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
 - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
 - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
 - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £496m NBV	<p>The Council request their valuer for General Fund property (Wilks Head and Eve) to revalue other land and building (opening value £537m) on a 5 year cycle, using depreciated replacement cost (DRC) for specialised assets such as schools, libraries, galleries and leisure centres. Non-specialised operational other land and buildings are required to be revalued at existing use value (EUUV) at the year end.</p> <p>Approximately 25% (£125.4m NBV) of other land and buildings were revalued during 2018/19 with a revaluation dated 1 April 2018. The valuation of properties valued by the valuer has resulted in a net decrease of £4.5m.</p> <p>Management has considered the year end value of non-valued properties to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.</p> <p>The total year end valuation of Other land and buildings was £495.6m a net decrease of £13.4m from 2017/18 (£509m).</p>	<ul style="list-style-type: none"> From the work performed in this area, we have gained assurance over the valuation of the Council's Other Land and Buildings included within the financial statements. The external valuer has agreed clear terms of reference for the work with the Council in advance of the engagement, including the assumptions that were going to be applied to the work. We have reviewed the assumptions applied by the Valuer, and have confirmed they are reasonable and appropriate given the nature of the assets held by the Council. We have considered and challenged the work management has done in liaison with their internal valuer on those assets not valued in the year to provide further evidence that their current value is not materially different to their carrying value included within the Accounts. <ul style="list-style-type: none"> We provided further challenge to the Council's assumptions by applying indices to assets not revalued at 31 March 2019 and obtaining further explanations and confirmations that no material estimation uncertainty remains in the valuation of Other Land and buildings, particularly specialised assets valued at depreciated replacement cost. The finance team liaised with their internal valuer to apply relevant indices to the last revaluation and applying average age and obsolescence factors to arrive at an estimated DRC valuation at 31st March 2019. We are satisfied that this exercise demonstrates that their current value is not materially different to their carrying value. <p>We also noted that the Council only revalues investment properties for individual assets under £250,000 on a 5 year cyclical bases, whilst we are satisfied that no material estimation uncertainty remains as many of these are long term 'ground rents' this approach is not in our view compliant with the Code. Going forward the Council should revalue all investment properties annually.</p>	 Amber

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment																																								
Net pension liability – £783m	<p>The Group's total net pension liability at 31 March 2019 is £783m (PY £648m), comprising the West Yorkshire Pension Fund Local Government defined benefit pension scheme obligations for the Council (£738m and Kirklees Neighbourhood Housing Limited (£49m)</p> <p>The Council and KNH use Aon Hewitt to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £66m actuarial loss to the Council during 2018/19.</p>	<ul style="list-style-type: none"> We have no concerns over the competency, capability and objectivity of the actuary used by the Council. We have used the work of PwC, as auditor's expert to assess the methodology and assumptions made by the actuary. See below for consideration of the key assumptions used by the actuary. <table border="1" data-bbox="694 438 1780 909"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.4 - 2.5%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.2%</td> <td>2.1 – 2.2%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.45%</td> <td>3.1 -3.7%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males:</td> <td></td> <td></td> <td>●</td> </tr> <tr> <td>• currently aged:45 (future pensioners)</td> <td>23.2</td> <td>23.0 -25.3</td> <td></td> </tr> <tr> <td>• currently aged 65</td> <td>22.2</td> <td>22.2 – 23.7</td> <td></td> </tr> <tr> <td>Life expectancy – Females:</td> <td></td> <td></td> <td>●</td> </tr> <tr> <td>• currently aged 45 (future pensioners)</td> <td>27.2</td> <td>25.9 – 28.1</td> <td></td> </tr> <tr> <td>• currently aged 65</td> <td>25.4</td> <td>24.1 – 26.3</td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate There have been no changes to the valuation method since the previous year. However, the estimate has now been revised to include liabilities arising from the McCloud judgement. Our internal Grant Thornton actuaries have reviewed the approach Aon Hewitt have taken in estimating the liabilities arising from McCloud judgement and we are satisfied with the reasonableness of estimate. We are satisfied with the reasonableness of the Council's share of the West Yorkshire Pension Fund Assets based on the West Yorkshire Pension Fund draft financial statements. We have received satisfactory assurances from the auditor of the West Yorkshire Pension Fund We are satisfied with the adequacy of the disclosure of the estimate in the financial statements 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.4 - 2.5%	●	Pension increase rate	2.2%	2.1 – 2.2%	●	Salary growth	3.45%	3.1 -3.7%	●	Life expectancy – Males:			●	• currently aged:45 (future pensioners)	23.2	23.0 -25.3		• currently aged 65	22.2	22.2 – 23.7		Life expectancy – Females:			●	• currently aged 45 (future pensioners)	27.2	25.9 – 28.1		• currently aged 65	25.4	24.1 – 26.3		<p style="text-align: center;">●</p> <p style="text-align: center; color: green; font-weight: bold;">Green</p>
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Assessment

- disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings - Going concern

Our responsibility

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 entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management have a range of procedures in place to provide assurance that the Council remains a going concern including:

- regular review of cash flow and Treasury Management;
- regular review and reporting of financial performance against budget;
- regular review and update of the Medium-Term Financial Plan; and
- appropriate review, scrutiny and reporting of earmarked reserves and General Fund Balance.

Auditor commentary

- Management have undertaken a thorough review of the risks facing the Council including reduction in government funding and pressures on budgets.
- Plans to address the risks are considered realistic and deliverable.
- Overall management processes are considered to be sufficiently robust to demonstrate a well informed view of going concern.

Work performed

- We have reviewed the medium term financial plan and considered the reasonableness of the assumptions on which it is based.
- We noted your total general fund balance (including earmarked reserves) has increased by £16.2m in 2018/19 to £105m which is around 38% of your net revenue budget for 2019/20.
- Our work has not identified any events or conditions existing that may cast significant doubt on the Council's ability to remain as a going concern

Concluding comments

- We have identified no events or conditions in the course of the audit that we consider may cast significant doubt on your ability to continue as a going concern.
- We are satisfied with the appropriateness of management's going concern assessment process. As such we plan to issue an unmodified audit report in respect of going concern.

We are satisfied with management's assessment that the going concern basis is appropriate for the 2018-19 financial statements.

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

	Significant matter	Commentary
1	Significant events or transactions that occurred during the year	<ul style="list-style-type: none"> The implementation of new standards IFRS9 and IFRS15 were discussed with officers during 2018/19 and we were provided with appropriate evidence supporting management's view that there has not be any significant impact on the financial statements arising from IFRS9 and IFRS 15. The financial statements do not contain any disclosure relating to the introduction of IFRS 15 and IFRS 9 as management maintain this is not material to the financial statements. In our view appropriate disclosures should have been included in the financial statements and should be made going forward.
2	Business conditions affecting the group, and business plans and strategies that may affect the risks of material misstatement	<ul style="list-style-type: none"> No such issues were identified.
3	Concerns about management's consultations with other accountants on accounting or auditing matters	<ul style="list-style-type: none"> No such issues were identified.
4	Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	<ul style="list-style-type: none"> We were appointed as auditors of Kirklees Metropolitan Council for five years from 2018/19. We issued our fee letter for 2018/19 on the 20 April 2018 and presented this to the Corporate Governance & Audit Committee on 30 July 2018. We issued our 2018/19 Audit Plan on 27 February 2019 and presented this to the Audit, Risk and Governance Committee on 20 May 2019.
5	Significant matters on which there was disagreement with management.	<ul style="list-style-type: none"> No such issues were identified.
6	Other matters that are significant to the oversight of the financial reporting process	<ul style="list-style-type: none"> No such issues were identified.
7	Internal Control matters	<ul style="list-style-type: none"> Our review of the Information Technology control environment identified a number of significant issues with access controls. These issues have been reported to the Corporate Governance and Audit Committee and are included at appendix A, together with an agreed Action Plan in place. We will follow up the recommendations as part of our 2019/20 audit. Our early testing of Housing Benefit expenditure carried out to support our accounts opinion work identified one error case (from a sample of 17 payments) where the claimant had been overpaid due to incorrect recognition of claimant Income of £53.43 per week. Whilst this amount cannot be extrapolated to identify any impact on the financial statements, more extensive testing will be carried out as part of the certification work on the Housing Benefit Subsidy claim later in the year.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
1 Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Corporate Governance and Audit Committee
2 Matters in relation to related parties	<ul style="list-style-type: none"> From our work to date we are not aware of any related parties or related party transactions which have not been disclosed
3 Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4 Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council which is tabled as a separate item to the Corporate Governance and Audit Committee.
5 Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to all of the Council's counter parties for bank accounts, investments and Loans. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. We noted that one long-term loan to an educational institution had been subject to a 'payment holiday' agreement. We could not trace evidence within the Council or Committee minutes that this had been approved by members, however we have received assurance that this was done under officers powers of delegation with the knowledge of relevant Council members.
6 Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
7 Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management was provided. This is our first year of our audit of the Council and we will work with management to develop detailed working paper requests to facilitate a more efficient closedown process and audit in 2019/20.

Other responsibilities under the Code

Issue	Commentary
1 Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Narrative Report and Annual Governance Statement), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified.</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £500m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>At the date of issuing this report our work has not yet commenced. We will complete the planned procedures once we have completes our work on the Council's financial statements.</p>
4 Certification of the closure of the audit	<p>We do not expect to be able to certify the closure of the 2018/19 audit of Kirklees Council when we issue our Audit opinion. We are unable to certify the closure of the 2018/19 audit until we complete our work on the Whole of Government Accounts (WGA) return.</p>

Value for Money

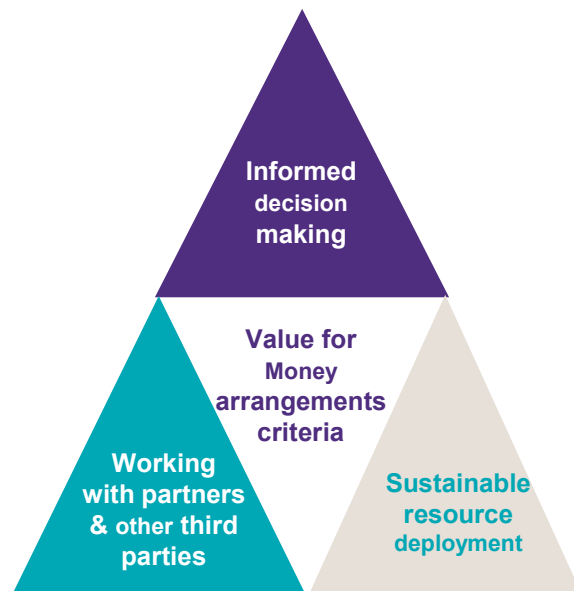
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 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:



Risk assessment

We carried out an initial risk assessment in January 2019 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 26 February 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- **Financial sustainability** - delivery of the 2018-19 budget and savings plan and achievement of Medium Term Financial Plan (MTFP)
- **Children's services** – review of evidence from regulators (OFSTED) on progress in responding to the previous inspection report rating the Council's Children's services as 'Inadequate'.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 20 to 21.

Overall Conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Significant matters discussed with management

In our previous report in July 2019 we explained that we were unable to conclude our work as the OFSTED inspection of Children's Services would not be issuing their report until August 2019. The OFSTED report has now been issued and we have been able to complete our work. We did not identify any other significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risks reported in the Audit Plan	Findings	Conclusion
<p>1 Financial sustainability – delivery of the 2018-19 budget and savings plan and achievement of Medium Term Financial Plan (MTFP)</p> <p>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.</p> <p>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.</p>	<p>For 2018/19 the Council's revenue spend was £275.0m against a net revenue budget of £275.2m. The Council planned to deliver £16.2m of savings in 2018/19 and whilst savings of £13.1m (81%) were achieved, a further £3.3m were only achieved on a non-recurrent unplanned basis. Significant pressures within the year arose from within Children and Families as 'High needs learning' cost outstripped the grant available by £8m. These ongoing demand pressures have been recognised in future budget plans.</p> <p>The Council agreed a balanced budget for 2019/20 in February 2019 as a net budget of £287.1m which includes planned savings in year of £10.9m. The Council's MTFP for 2019-2022 includes further savings of £6.2 m over the 2020/22 financial period.</p> <p>MTFP funding assumptions are prudent assuming further funding reductions of 2.5% over the final 2 years of the plan, whilst revenue spend assumptions are realistic recognising the ongoing cost and demand pressures arising from special educational needs and adult social care.</p> <p>The Council refreshed its reserves strategy as part of its MTFP to increase its financial resilience reserves level and at 31st March 2019 this was retained at £32.7m, accounting for around a third of the Council's General Fund balances.</p> <p>Overall General fund balances increased by £16.2m to £105m during the year, a significant proportion of the increase (£8.5m) was facilitated by the release of Minimum Revenue Provision 'overpayment'.</p> <p>As you will be aware the Comprehensive Spending Review, Fair Funding Review and outcome of Business Rates Retention review have been delayed. The delay has not helped council's (or other public sector bodies) ability to plan for the medium-term. The Council will therefore need to remain alert to emerging funding decisions and update budget planning when these are known.</p> <p>We have considered the Council's arrangements to ensure it is financially resilient to deal with budgetary pressures and overall we are satisfied that proper arrangements were in place for the delivery of the 2018/19 budget and savings plans.</p>	<p>We concluded that the Council has proper arrangements in place for ensuring sustainable resource deployment.</p>

Significant risks reported in the Audit Plan	Findings	Conclusion
<p>2 Children's Services</p> <p>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 the Council formalised its developing partnership arrangements with Leeds City Council in a strategic partnership agreement 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.</p> <p>We will:</p> <ul style="list-style-type: none"> 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. <p>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.</p>	<p>In 2016/17 and 2017/18 the Council's VFM conclusion was qualified on the basis of the 'inadequate' rating given to the Council's Children's Services.</p> <p>A Children's Services Improvement Plan was prepared and provided appropriate focus and improved leadership following the development of the strategic partnership arrangements with Leeds City Council and the joint Director of Children's Services role became effective.</p> <p>The Ofsted monitoring report in January 2019 noted that there had been a significant improvement since the previous monitoring visit, which focused on the front door in November 2017, in relation to the initial response to children who need help and protection. In the cases seen, children are safe, and immediate risks are appropriately assessed using a multi-agency approach. Strengthened processes and effective management oversight is ensuring robust decision-making'.</p> <p>Ofsted's most recent inspection took place in June 2019 and was reported in August 2019 giving the Council an overall rating of 'requires improvement to be good'.</p> <p>There is therefore sufficient evidence to demonstrate the significant progress and achievements the Council has made since the Ofsted report in November 2016, and in particular since the formal arrangement with Leeds City Council began to take effect.</p> <p>In the Ofsted report HM Inspector reported that: 'Since March 2018, there has been steady progress in strengthening the foundations for sustainable service improvement. As a result, there are no widespread or serious failures that leave children at risk of harm'.</p> <p>The report concludes that there are still improvements to be made for Children's Services to be considered 'Good', however we are satisfied proper arrangements were in place for sound governance and informed decision making around Children's Services at the Council during 2018/19</p>	<p>We concluded that the Council had proper arrangements in place for sound governance and informed decision making around Children's services.</p>

Independence and ethics

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. The firm, its partners, senior managers, managers have complied with the Financial Reporting Council's Ethical Standards and 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 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit additional services before we were appointed as auditor.

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

Independence and ethics

Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services have been identified as being charged in the current year or estimated as costs to the current year for proposed work, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees. (Fees marked * are estimated at this stage.)

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Subsidy Claim	£12,000 + £2,130 / 40+	Self-Interest (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.
Teachers Pension Return	£5,000*	Self-Interest (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 small in comparison to the total fee for the audit of £122,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Capital receipts grant	£2,000*	Self-Interest (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 small in comparison to the total fee for the audit of £122,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
NCTL Initial Teacher Training (not yet started)	£5,000*	Self-Interest (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 small in comparison to the total fee for the audit of £122,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Skills Funding Agency Compliance (not yet started)	£2,000*	Self-Interest (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 small in comparison to the total fee for the audit of £122,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Independence and ethics

Non-audit services

Service	Fees £	Threats identified	Safeguards
Non-audit related			
PFI Contract Payment Review	8,096	None	This was the review of the payment mechanism on an established PFI contract and was a backward looking engagement. It related to a non-controversial element of the accounts and the amounts involved are not material. No significant threats have been identified.
CFO Insights	10,000 - 12,500 pa*	Self-Interest (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. 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.

Action plan

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1	<p>SAP User access rights</p> <p>The users that have been granted privileged access rights are not appropriate. As an example, 15 users are granted a powerful permission that allows users to create other users and assign profiles to them and allows users access to all SAP functionality. The users are The BASIS support team and 6 Generic accounts which by their nature do not have traceability as they are not allocated to individuals.</p> <p>There are other transactions which allow users to perform actions which bypass the SAP authorisation concept and allow unauthorised access.</p> <p>Access to the privileged transactions allows users full access to SAP functionality, which could give virtually full system rights, bypassing the SAP Authorisation concept.</p>	<p>Recommendation</p> <ul style="list-style-type: none"> Management should ensure where the support team require access to the system, this access is monitored and granted appropriately. Generic accounts used by third party users should be locked and access granted on an “as needed basis”. Review of all privileged accesses should be undertaken and assigned only to users with a business need or removed. Since the audit a review has been carried out and is ongoing to identify users who require privileged access. <p>Management Response</p> <p>The SAP_ALL and SAP_NEW profiles have been removed from all dialogue accounts.</p> <p>Generic accounts used by third parties have been locked and will be unlocked when suppliers request access. All activity for those accounts will be logged and monitored.</p> <p>A review of users with privileged access is taking place. Access to the high risk transactions listed will be removed.</p>
2	<p>Firefighter ID's</p> <p>The Council does not currently utilise firefighter ID's, to assist in the provision of support in the SAP environments. A Firefighter ID is a temporary user ID that grants the user exception-based, yet regulated access to perform tasks in an emergency or extraordinary situation. The 'Versa' firefighter application tracks, monitors and logs of all activity each Superuser performs under the privileged user ID.</p> <p>The current arrangement of not using temporary firefighter IDs creates a risk that the mode of change may be used inappropriately potentially leading to program instability or unauthorised changes to data.</p>	<p>Recommendation</p> <ul style="list-style-type: none"> Management should adopting the use of Firefighter ID's in the various SAP environments. <p>Management Response</p> <p>The concept of Firefighter IDs and roles, along with Versa, is part of the SAP Governance, Risk and Compliance (GRC) module which is not implemented in Kirklees Council.</p> <p>However we acknowledge that the concept of using restricted accounts with a high level of access for critical support issues is good practice. The BASIS team will be assigned elevated access accounts to be used on an exception basis when required. The activities of these accounts will be logged and monitored.</p>

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Action plan

Assessment	Issue and risk	Recommendations
3	<p>IT developers have access rights to production client</p> <p>There are 7 users who can make changes to customised objects directly in the production environment and 10 users who have access to USR02 and DEVACCESS.</p> <p><i>Developers with access to the production environment are able to make changes directly in the production environment, bypassing the change management process and with the absence of user activity logging, changes made may go undetected.</i></p>	<p>Recommendation</p> <p>The change management process include restricting access to developers who can make changes directly in the production environment. This in conjunction with using access logging would prevent any unauthorised changes being implemented without the correct approvals</p> <p>Management Response</p> <p>Access to make changes directly in production will be removed from all staff. All users involved in change activities will have activity logged and monitored.</p>
4	<p>Logging of user activities using SCC4 has not been turned on</p> <p>The setting of 'rsau/enable' has not been turned on in the SAP master settings, this is the security log which enables the following activities to be recorded.</p> <ul style="list-style-type: none"> • Successful and unsuccessful RFC logon attempts • Successful and unsuccessful dialog logon attempts • RFC calls to function modules • Changes to user master records • Successful and unsuccessful transaction starts • Changes to the audit configuration <p>Where the SAP support team are allocated, as 'standard', SAP_ALL, the activities are not monitored and trackable.</p> <p><i>Where activities are undertaken without the ability to identify who has performed them, what they have done and why they were processed, fraudulent or unauthorised transactions could be made within the system.</i></p>	<p>Recommendation</p> <p>The SCC4 logs should be turned on and regular formal reviews of the logs should be undertaken by a suitably qualified and experienced person. It is understood that since the audit has been performed, management has turned the logging function on for this control.</p> <p>Management Response</p> <p>SCC4 is the transaction used to manage clients within a SAP system and is not related to security logs.</p> <p>SAP security logs are configured in SM19 and analysed in SM20. The parameter "rsau/enable" has been set, and security audit logging has been enabled in SM19 for all users.</p> <p>A monitoring strategy for SAP users with elevated access will be developed and implemented.</p>
5	<p>Idle Login Sessions within Northgate</p> <p>Login sessions within Northgate have an automated logout which disconnects after a period of 3 hours of inactivity which creates the following risks:</p> <p><i>a) Misuse of unattended login sessions by other valid users of the system, leading to loss of accountability of actions performed.</i></p> <p><i>b) Misuse of unattended login sessions by unauthorized personnel, leading to unauthorized data disclosure or data tampering.</i></p>	<p>Recommendation</p> <p>Idle login sessions within Northgate should automatically terminate after a predefined, risk-based period of inactivity has elapsed (e.g., 15 minutes).</p> <p>Management Response</p> <p>Recommendation to Customer & Exchequer Senior Management Team to reduce Idle Login Sessions within Northgate from 3 hours. Once agreed setting will be updated on the Server by Technical Infrastructure.</p>

Action plan

Assessment	Issue and risk	Recommendations
6	<p>Automated Notifications of Leaver and Mover Activity</p> <p>Security administrators of SAP, Northgate and Active Directory were not being provided automated, proactive notifications of anticipated HR mover and leaver activity, nor were they being provided automated per-occurrence notifications of unanticipated HR mover and leaver activity. It is understood that the introduction of AD Manager which was undergoing UAT testing at the time of the review should be implemented shortly.</p> <p>a) Access to information resources and system functionality may not be restricted on the basis of legitimate business need</p> <p>b) Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls</p> <p>c) Terminated employees may continue to access information assets through enabled, no-longer-needed user accounts</p> <p>d) Revocation of access rights may not be performed accurately, comprehensively, or on a timely basis</p>	<p>Recommendation</p> <p>Security administrators of Northgate and Active Directory should be provided with:</p> <p>(a) timely, proactive notifications from HR of leaver and mover activity for anticipated activity; and</p> <p>(b) timely, per-occurrence notifications for unanticipated mover and leaver activity.</p> <p>Security administrators of Northgate and Active Directory should then use these notifications to either:</p> <p>(a) end-date user accounts associated with anticipated leavers or</p> <p>(b) immediately disable user accounts associated with unanticipated leavers. These security administrators should then use these notifications amend and/or remove logical access belonging to movers and leavers.</p> <p>Management Response</p> <p>AD Manager has been running approximately behind schedule. The process for the disabling the AD accounts has been set up based upon the current SAP report and prior to 'go live' for AD manager the process is manual and monthly.</p>
7	<p>Reviews of Information Security Logs Created by Northgate and Active Directory</p> <p>Logs of information security activity within Northgate and Active Directory were not being formally, proactively, and routinely reviewed.</p> <p>Without formal, proactive, and routine reviews of security event logs, inappropriate and anomalous security activity (e.g., repeated invalid login attempts, activity violating information security policies) may not identified and addressed in a timely manner.</p>	<p>Recommendation</p> <p>Logs of information security events (i.e., login activity, unauthorized access attempts, access provisioning activity) created by these systems should be proactively, formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should ideally be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.</p> <p>Management Response</p> <p>Post Year end processing on Northgate for Council Tax, Business Rates and Benefits we will work with Northgate to identify opportunities to audit unauthorised access / activity. There are additional plans in the Service to undertake a full review of user access levels.</p>

Action plan

Assessment	Issue and risk	Recommendations
●	<p>Revaluation of 'Other Land and Buildings'</p> <p>The Council's current revaluation cycle of 5 year's for 'Other Land and Buildings' whilst compliant with the Code creates material estimation uncertainty, particularly where the replacement cost of specialised assets may have changed since the last revaluation, This necessitates a substantial amount of work by both finance staff, and auditors to demonstrate that for non revalued assets the current value is not materially different from the carrying value.</p>	<p>Recommendation</p> <p>The frequency of revaluation of individual assets, particularly specialised asset, should be reviewed to ensure the level of non-revalued assets does not create material estimation uncertainty over the carrying value of Other Land and Buildings on the balance sheet.</p> <p>Management Response</p> <p>The revaluation of 'Other Land and Buildings' will be carried out on a three year cycle starting in 2019/20.</p>
●	<p>Recognition of Investment in KSDL (Valuation of Stadium)</p> <p>The valuation of the Stadium complex had been recognised at historical cost and not adjusted to Depreciated Replacement Cost on the consolidation of the Council's investment interest in the group accounts.</p>	<p>Recommendation</p> <p>The Council should ensure that it obtains a full Code compliant valuation of the Stadium complex to enable appropriate adjustments to be made to the Joint Venture Company's accounts to enable the appropriate adjustment to be made on consolidation</p> <p>Management Response</p> <p>We will review the recommendation for a full valuation of the Stadium complex along with a review of the use of insurance valuations as an appropriate method of asset valuation.</p>
●	<p>Valuation of Investment Properties</p> <p>The Council only revalues investment properties for individual assets under £250,000 on a 5 year cyclical bases. Whilst we are satisfied that no material estimation uncertainty remains as many of these are long term 'ground rents' this approach is not in our view compliant with the Code.</p>	<p>Recommendation</p> <p>The Council should revalue all investment properties annually in compliance with the Code..</p> <p>Management Response</p> <p>There are a large number of investment properties (88) that are valued below £250k. At 31st March these represented £7.2m, which is not material. As such the limit for individual pieces of land will remain at £250k. We will however revalue these pieces of land on a 3 year revaluation cycle and those not valued will be reviewed for any potential movement by our internal valuer.</p>

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1 Update Pension Fund liabilities – McCloud judgement			
As mentioned earlier in the Report, the Council have updated their IAS19 figures to reflect the impact of the McCloud judgement on the Past Service Costs, which has increased the overall Net Pension Liability by £23m. The impact of these costs is reversed out via the Movement in Reserves Statement to the Pensions Reserve.			
Increase in the Council's Pension Fund deficit arising from the McCloud judgement			
Cr Net Pension Liability		£23,016	
Dr Cost of Services (Central Budgets)	£23,016		£23,016
Overall impact	£23,016	£23,016	£23,016
2 Overstatement of both Income and Expenditure relating to returns on Investment Properties		NIL	NIL
Cr Cost of Services (Central Budgets) Expenditure	£8,160		
Dr Cost of Services (Central Budgets) Income	£8,160		
Overall impact	NIL	NIL	NIL

Impact of unadjusted misstatements

We have not identified any unadjusted misstatements

Impact of prior year unadjusted misstatements

We are not aware of any prior year unadjusted misstatements.

Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and issues identified during the audit and whether these have been corrected.

	Detail	Auditor recommendations	Adjusted?
Misclassification	Short-term borrowing of £5m has been misclassified as long-term borrowing	Reclassify on Balance sheet and Note 19 <ul style="list-style-type: none"> Long term borrowing - £5,000k Short borrowing + £5,000k 	✓
Disclosure	Note 15 Capital Commitments: - Capital commitments have been disclosed as the amounts included in the Councils capital programme, rather than contractual committed expenditure	<ul style="list-style-type: none"> Amend to include 'true' capital commitments of £12.8m and the equivalent prior year figure 	✓
Disclosure	Group Accounts Pensions Disclosure Omission - Group accounts disclosure notes do not include the group/KNH Pensions disclosure which are materially different to the Council's disclosure note..	Include additional Group note on Pension Disclosures	✓
Disclosure	<p>Note 15 Financial Instruments</p> <ul style="list-style-type: none"> The note refers to financial assets and financial liabilities carried at contract cost, rather than amortised cost short term financial assets includes statutory debtors £9,434k and prepayments £10,539k, which are not financial instruments. short term financial liabilities includes statutory creditors £364k, receipts in advance £12,936k & leave accrual £11,077k, which are not financial instruments Market risk interest sensitivity incorrect states 'A 1% change in interest rates with all other variables held constant would increase or decrease interest costs by £94m' a significant overstatement. The categories of financial instrument disclosed are not compliant with the requirements of IFRS9. The CIPFA Code, section 7.3.3, requires the Council to disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the authority is exposed at the end of the reporting period and how they have been managed. Note 19 includes limited information about the nature of the Council's borrowing, particularly whether it is fixed or variable, relevant interest rates, specific values, maturity dates and LOBO options exercise dates. 	<p>Amend note 19 for the issues identified</p> <p>Management Response</p> <p>The issues identified are not material disclosure and the compilation of this note will be reviewed in detail for 2019/20.</p>	<p>✓</p> <p>✗</p> <p>✗</p> <p>✗</p> <p>✗</p> <p>✗</p>

Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and issues identified during the audit and whether these have been corrected.

	Detail	Auditor recommendations	Adjusted ?
Disclosure	HRA H8 Housing Stock – omission of comparative numbers of housing stock	<p>Include comparative figures for Housing stock in Note H8 to the Housing Revenue Account</p> <p>Management Response</p> <p>There has not been a significant change in Housing stock numbers in 2018/19 however this disclosure will be considered for the 2019/20 financial statements.</p>	X
Disclosure	Members allowances - omission of disclosure of members allowances (required by the Code)	<p>Include a note disclosing the total amount of members allowances and expenses.</p> <p>Management Response</p> <p>This note had previously been removed on the basis of materiality. This disclosure will be considered for the 2019/20 financial statements</p>	X
Disclosure	Note 2 Prior year adjustments - Group Account note G4 net liability related to defined benefit pension column 1 (reported in 2017.18 accounts) should be -£582,389K instead of -£545,634k and column 3 (restated balance sheet) should be -£648,537k instead of -£611,782k.	<p>Amend note 2 for the issues identified.</p> <p>Management Response</p> <p>Do not intend to amend as figures consistent with single entity figures.</p>	X
Disclosure	Note 4 Critical Judgements- the note includes judgements in relation to Grants and Provisions which, in the audit teams view, are immaterial to the Council's financial statements and should be removed from this note. The note also includes judgements relating to Group Accounts, PFI, Leases and Schools. The disclosures made in relation to these areas do not fully disclose the critical judgements made by management.	<p>Remove judgements in relation Grants and Provisions. Expand disclosures made in relation to Group Accounts, PFI, Leases and Schools to better articulate the judgements made.</p> <p>Management Response</p> <p>Disclosure will be considered for the 2019/20 financial statements</p>	X
Disclosure	Note 5 Assumptions and Major Sources of Estimation Uncertainty- the note does not fully address the disclosure requirements of Code 3.4.2.90 and IAS 1:1.125-131. The disclosure in relation to PPE does not disclose the carrying value of PPE. The note includes Provisions and Fair Value Equity Instruments, which in the audit teams view, are not major sources of estimation uncertainty, and should be removed from this note. The Fair value measurements disclosure does not reflect a range of reasonable possible outcomes or give examples of the sensitivity of the carrying amounts to the methods/ assumptions/ estimates underlying their calculation .	<p>Remove disclosure in relation to Provisions and Fair Value Equity Instruments. Include Carrying Value of PPE. Expand disclosure in relation to Fair Value Measurement.</p> <p>Management Response</p> <p>Disclosure will be considered for the 2019/20 financial statements</p>	X

Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and issues identified during the audit and whether these have been corrected.

	Detail	Auditor recommendations	Adjusted ?
Disclosure	Introduction to Group Accounts- this incorrectly references the acquisition method as the method of consolidation for Kirklees Neighbourhood Housing Limited. Note G1 incorrectly references IAS27 'Consolidation and Separate Financial Statements'. Neither are relevant to the consolidation of a subsidiary.	Remove references from introduction to Group Accounts and Note G1 Management Response Disclosure will be considered for the 2019/20 financial statements	X
Disclosure	Group CI&E – The 2018/19 figures for Integration, Access & Community Plus included in wrong line. Also comparatives for Commissioning, Quality & Performance included in wrong line.	Amend Group CIES for these errors.	✓
Disclosure	Group Note G5 Unusable reserves – Council's pension reserve should be £611,782k instead of £545,634k. Totals also need to be amended	Amend note G5 for this error.	✓
Disclosure	Group Note G6 Related Party transactions – Other work payments totalling £17.9m to Kirklees Neighbourhood Housing Limited not disclosed in this note.	Amend note G6 for the issue identified	✓
Disclosure	Note 34 Officers Remuneration - We have found an error whereby an employee was included in the incorrect banding (they were included in 95,000 - 99,999 instead of 100,000 - 104,999).	Amend note 34 for this error.	✓
Disclosure	Note 34 Senior Officers emoluments - Comparatives did not agree with previous year's audited accounts as posts/officers no longer in place in 2018/19 had been removed from comparatives.	Amend note 34 comparatives.	✓

Appendix C

Fees

We confirm below our final fees charged for the audit.

Audit Fees

	Proposed fee	Final fee	2017/18 fee (predecessor auditor)
Council Audit	£122,221	£137,721	£158,729
Total audit fees (excluding VAT)	£122,221	£137,721	£158,729

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £122,221 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table. The additional fees are subject to approval by Public Sector Audit Appointments Ltd.

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	3,000
Additional audit procedures on Pensions liabilities	Additional procedures now required in response to the Financial Reporting Council's feedback on audit work on Pensions liabilities.	3,000
PPE Valuation	The Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this and have had to undertake additional procedures to review the work non-revalued assets.	6,000
Public Interest Entity – additional fee	As previously raised, your categorisation as a Public Interest Entity means that there are additional procedures that we are required to complete as part of the audit. In particular there are additional requirements at both the planning and the reporting & communications stage of the audit, culminating in the longer-form audit report.	3,500
Total		15,500

Fees

We confirm below our fees for the provision of non audit services.

Non Audit Fees

Fees for other services	Fees £
Audit related services:	
• Housing Benefit Certification	29,040
• Certification of Teachers Pension Return	5,000*
• Certification of Pooling of Capital Receipts Return	2,000*
• Certification of NCTL	5,000*
• Skills Funding Agency compliance	2,000*
Non-audit services	
• PFI Contract Payment Mechanism	8,096
• CFO Insights	10,000*
	£61,136*

* Estimated fees

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Name of meeting: Corporate Governance and Audit Committee

Date: 6th March 2020

Title of report: Annual review of the Code of Corporate Governance

Purpose of report

To brief the Committee on the review of the Code of Corporate Governance that has been undertaken by the Monitoring Officer.

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?	No
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	No
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Strategic Director</u> & name	Yes – Rachel Spencer-Henshall – 4 th Feb 2020
Is it also signed off by the Service Director for Finance IT and Transactional Services?	Yes
Is it also signed off by the Service Director for Legal Governance and Commissioning Support?	Yes
Cabinet member portfolio	Cllr Graham Turner Corporate

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public

Have you considered GDPR? Yes

1. Summary

- 1.1 Kirklees has a Code of Corporate Governance, whose purpose is to set out the arrangements by which the Council will ensure effective governance. The code has been drafted with reference to guidelines published by CIPFA and SOLACE.
- 1.2 This code is reviewed periodically and any changes to recommended to this committee.
- 1.3 It was suggested that it should be reviewed in the Annual Statement in 2019.

2. Information required to take a decision

- 2.1 The Kirklees Code was last revised in 2017, following the publication of fresh guidance from CIPFA and SOLACE in 2016. The purpose of the then revision was to incorporate the new recommendations and best practice suggested by the guidelines.
- 2.2 Those guidelines are still current and there is no indication that CIPFA and SOLACE are currently planning to update these.
- 2.3 As a result of this, there have been no major revisions to the Kirklees code. It has been subjected to some formatting changes and reference has now been made to Kirklees' strategic objectives.
- 2.4 A 'track change' copy of the revised code is attached at Appendix 1.

3. Implications for the Council

- 3.1 **Working with People**
N/A
- 3.2 **Working with Partners**

N/A
- 3.3 **Climate Change and Air Quality**
N/A
- 3.4 **Place based working**
N/A
- 3.5 **Improving outcomes for children**
N/A
- 3.6 **Other (eg Legal/Financial or Human Resources)**

N/A

4. Consultees and their opinions

- 4.1 The following have been consulted on the contents of this report and have approved them:
 - 4.1.1 The Service Director – Legal, Governance and Commissioning, as Senior Responsible Officer
 - 4.1.2 The Head of Risk

5. Next steps and timelines

- 5.1 To continue with the current annual review of the Code of Corporate Governance.
- 5.2 To check periodically with CIPFA / SOLACE for notice of any intention for the 2016 guidance to be reviewed.

6. **Officer recommendations and reasons**

6.1 That members note the report and recommend that the revised code be adopted.

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

N/A

8. **Contact officers**

David Stickley david.stickley@kirklees.gov.uk
Senior Legal Officer 01484 221000

Julie Muscroft julie.muscroft@kirklees.gov.uk
Service Director - Legal 01484 221000
Governance & Commissioning

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

CIPFA / SOLACE guidance 'Delivering Good Governance' 2016

10. **Service Director responsible**

Julie Muscroft
Service Director – Legal, Governance and Commissioning
01484 221000
julie.muscroft@kirklees.gov.uk

Appendix 1

Track change copy of the revised Code of Corporate Governance

KIRKLEES COUNCIL

Local Code of Corporate Governance

Good corporate governance is based on openness, inclusiveness, integrity and accountability and is demonstrated through the systems by which a local authority directs and controls its functions and relates to its communities.

It is about the leadership of communities and developing confidence, through the way that councillors and officers establish strategies, objectives and policies measure their achievement and operate the business of the council.

In Kirklees, this is led by the Council's emphasis on working with People, Partners and Place and by the Council's 7 shared outcomes. Kirklees Council also recognises the climate emergency and has committed to being aware of and minimising the impact of all of its policies and operations on the climate.

This involves:

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
- Taking informed, transparent and accountable decisions which are subject to effective scrutiny, monitoring of achievement of performance and the management of risk;
- Engaging with local people and other stakeholders to ensure robust public accountability;
- Councillors and officers working together;
- To achieve a common purpose with clearly defined functions and roles;
- To develop the capacity and capabilities to provide effective leadership;
- To promote the values for the Authority and demonstrating good governance;
- Upholding high standards of conduct and behaviour, ethical standards and legal compliance.

Delivering these objectives involves both **community focus** and **service provision**, in the context of establishing **standards of conduct** for those involved, business **structures and processes** and **internal control and risk management**. These standards are dealt with in more detail in the sections below.

This Code is underpinned by the seven key principles set out in the revised framework ‘*Delivering Good Governance in Local Government: Guidance notes for English Authorities (2016 Edition)*’.

The table below summarises how the various principles for good governance in the public sector relate to each other. Principles A and B permeate implementation of principles C to G as they provide the overarching requirements for acting in the public interest. Principles C to G focus on the implementation of governance and achievement of outcomes. The table also illustrates that good governance is dynamic and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

Principles	Sub principles
<i>Acting in the public interest require requires a commitment to and effective arrangements for:</i>	
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	Behaving with integrity
	Demonstrating strong commitment to ethical values
	Respecting the rule of law
B. Ensuring openness and comprehensive stakeholder engagement	Openness
	Engaging comprehensively with institutional stakeholders
	Engaging with individual citizens and service users effectively
<i>In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:</i>	
C. Defining outcomes in terms of sustainable economic, social and environmental benefits	Defining outcomes
	Sustainable economic, social and environmental benefits
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	Determining interventions
	Planning interventions
	Optimising achievement of intended outcomes
E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it	Developing the entity’s capacity
	Developing the capability of the entity’s leadership and other individuals
F. Managing risks and performance through robust internal control and strong public financial management	Managing risk
	Managing Performance
	Robust Internal control
	Managing Data
Strong Public Financial Management	

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability	Implementing good practice in transparency
	Implementing good practices in reporting
	Assurance and effective accountability

Community Focus

In carrying out its duties and responsibilities, Kirklees Council will promote wellbeing by:

- Working for and with the Kirklees community;
- Exercising leadership, where appropriate, developing its approach to working in local areas;
- Working collaboratively through the City Region and the West Yorkshire Combined Authority;
- Maintaining effective arrangements for:
 - accountability to stakeholders for its performance and the effectiveness in delivering its services and the sustainable use of resources;
 - demonstrating integrity in its dealings with other public agencies, the private and voluntary sectors to build effective relationships and partnerships;
 - demonstrating openness in all its dealings;
 - demonstrating inclusiveness through effective communication and engagement with the local community;
 - development of a clear vision and corporate strategy in response to corporate needs.

Service Delivery Arrangements

Kirklees Council will monitor the implementation of its agreed policies and decisions and aim to achieve continuous improvement in the procurement and delivery of services by maintaining arrangements which:

- Demonstrate accountability for service delivery;
- Ensure effectiveness through measurement of performance;
- Prioritise the use of resources;
- Demonstrate integrity in its dealings with service users and partnerships to ensure the "right" provision of services locally;
- Work with partners to specify, and monitor delivery of services which are effective;

- Demonstrate openness and inclusiveness through its consultation with key stakeholders, including service users;
- Are flexible and can be kept up to date, and adapted to accommodate change and meet user wishes;
- Investigate any complaints fairly, and openly, and address any shortcomings.

Standards of Conduct

Kirklees Council will:

- Exercise leadership by conducting itself as a role model for others to follow;
- Define standards of personal behaviour to be expected of Councillors and staff and those involved in service delivery;
- Require equal standards from partners, contractors and agents;
- Put in place arrangements that ensure:
 - effectiveness, through monitoring compliance;
 - integrity, by ensuring objectivity and impartiality are maintained in all relationships;
 - accountability, through establishing clear and open processes and systems for investigating breaches and disciplinary problems, and taking action where appropriate (including arrangements for redress);
 - openness and inclusiveness, through the documentation of standards, and their regular review;
 - Avoidance or mitigation of prejudice, bias or conflict of interest.

Structures and Processes

The Council will put into place effective political and managerial structures and processes to govern its decision-making and the exercise of its authority, through:

- Defining roles and responsibilities of Councillors and officers to ensure accountability, clarity and ordering of its business;
- Ensuring there is proper scrutiny and review of all aspects of performance and effectiveness , including formal Scrutiny, and call in powers;

- Demonstrating integrity by securing a proportional balance of power and authority;
- Documenting its structures and procedures and ensuring they are communicated and understood to demonstrate openness and are inclusive;
- Ensuring these structures and processes are kept up to date and adapted to meet change.

Internal Control and Risk Management

Kirklees Council will establish and maintain effective business control systems and an effective strategy, framework and processes for managing risk which:

- Establish mechanisms to monitor and review effectiveness against agreed standards and targets and the operation of controls in practice through internal control and internal audit;
- Include public statements on its risk management strategy, framework and processes to demonstrate accountability;
- Demonstrate integrity by being based on robust systems for identifying, profiling, controlling and monitoring all significant strategic and operational risks;
- Include mechanisms to ensure the risk management and control process is monitored for compliance and that changes are accommodated;
- Display openness and inclusiveness through the involvement of those associated with the planning and delivering of services, including partners.

Delivery

Kirklees Council will deliver these outcomes through:

- Annually defining a series of local procedures and practices which together create the framework for good corporate governance;
- Nominating a lead officer for each area of activity who will be responsible for assessing effectiveness in practice.

The Service Director of Legal, Governance and Commissioning, working with the Corporate Governance and Audit Committee, has overall responsibility for Corporate Governance and will assess operational practice and behaviour, and prepare the overall Annual Governance Statement.

The key policies and procedures that will comprise the core of this process are listed below:

- The Council Constitution (including the Members and Officers Code of Conduct, Financial Procedure Rules and Contract Procedure Rules);
- Internal Audit Charter;
- Human Resource policies;
- Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy;
- Whistleblowing Policy;
- Corporate Performance Management System;
- Health and Safety policies;
- Information Governance Framework;
- Procurement Strategy;
- Corporate Plan;
- Officer/Councillor Protocol;
- Partnership policies.

Note – The Code takes account of the principles of the current framework containing in CIPFA/SOLACE *‘Delivering Good Governance in Local Government: Framework (2016 Edition)’*