

Contact Officer: Andrea Woodside

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 26th July 2019

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

Ex-Officio Members: Councillor Elizabeth Smaje, Chair of Overview & Scrutiny Committee
Councillor Paul Davies, Chair of Standards Committee

1 Membership of the Committee

There were no substitutions of Membership.

2 Interests

No interests were declared.

3 Admission of the Public

It was noted that Agenda Item 10 would be considered in private session. (Minute No. 10 refers).

4 Deputations/Petitions

No deputations or petitions were received.

5 Public Question Time

No questions were received.

6 External Audit Report

The Committee received the draft External Audit Finding Report, for year end 31 March 2019, as submitted by Grant Thornton. The Committee were advised that the audit process was almost complete, subject to a final review and that assurances from the Pension Fund Auditor relating to the McCloud Judgement which had been awaited, had now been received. The report set out the summary of findings arising from the audit process and advised that two adjustments to the financial statements had been identified. The Committee noted that the first adjustment was an increase of £23.016m to the Council's net pension liability, resultant from the McCloud judgement and that this had been incorporated into the draft financial statements presented. The second adjustment was the reversal of an overstatement of £8.16m of both Income and expenditure relating to returns on investment properties in the Comprehensive Income and Expenditure Statement; net nil impact on Net Expenditure. The relevant accounting adjustments required were highlighted and

Corporate Governance and Audit Committee - 26 July 2019

would be incorporated accordingly by the 31 July deadline. It was noted that the audit report opinion from the External Auditor was anticipated to be unqualified.

The Committee were also provided with information regarding Value for Money arrangements, and it was noted that, as the Ofsted report following a recent inspection of Children's Services would not be available until August 2019, the Audit had not been able to complete planned audit procedure and therefore intended to delay the issue of the VFM conclusion, which would be dealt with through the issuing of a supplementary updated Audit report incorporating the VFM conclusion.

It was noted that PFI schemes were considered to be an identified risk in the audit plan and that the Auditor acknowledged that this risk had been addressed during 2018/2019. The Committee were also advised of the following; (i) a prior year adjustment relating to an identified actuarial error in the 2017/2018 accounts resultant from the transfer of pension fund assets to KNH, which had resulted in the pension fund asset for the Council/Group Account being overstated by approximately £66m, (ii) comparisons of key assumptions regarding net pension liability (iii) an overview of non-audit services and associated fees and (iv) potential adjustments to the audit fee to be discussed with relevant Council officers (subject to subsequent approval by PSAA) and (v) the letter of representation for year end March 2019.

In considering the report the Committee noted that the audit process was substantially complete, that the Auditor intended to issue an unqualified opinion on the 2018/19 Council financial statements by the statutory 31 July deadline, and that a further updated report would be issued to the Committee in due course incorporating the auditor's VFM conclusion for 2018/19, informed by the Ofsted judgement.

RESOLVED - That the External Audit Findings Report, for Year end March 2019, be received and noted.

7 **Approval of Final Accounts 2018-19**

The Committee received a report which sought approval of the Council's final accounts and audit processes for 2018/2019, the Statement of Accounts for 2018/2019 and the final version of the Annual Governance Statement. The report advised that the draft accounts had been signed off by the Council's s151 officer on 30 May 2019, within the statutory deadline of 31 May, and that no queries or objections had been received during the subsequent six week public inspection period. The Committee were advised that one of the two original objections raised during the 2016/2017 public inspection period had now been resolved by the Council's former auditor, KPMG, and that the remaining objection was likely to be resolved imminently, following which the formal audit certificates for both 2016/2017 and 2017/2018 could be issued by KPMG, prior to Grant Thornton issuing the 2018/19 audit certificate.

The Committee were advised that the draft Annual Governance Statement, as approved at the meeting of the Committee on 20 April 2019 had now been updated and an amended version, as signed off by the Leader of the Council and the Chief Executive, was included within the considered report. A copy of the Letter of

Corporate Governance and Audit Committee - 26 July 2019

Representation, which the auditor seeks from the Section 151 Officer and Committee Chair, to confirm that the Committee has considered this matter, and the comments in the Annual Governance Statement (AGS), was provided at Appendix B to the report.

The Committee noted the content of the report and conveyed thanks to the Finance Officers for finalising the accounts in accordance within the relevant statutory deadlines. It was noted that some of the wording in the AGS relating to progress made on MTFP delivery needed updating to reflect the outturn position for 2018/19 and it was agreed that the relevant wording in the AGS would be amended accordingly. It was also agreed that any subsequent reporting back to the Committee on progress on previous external auditor recommendations relating to SAP security and user controls (as referred to within the AGS) would include clearly identified milestones for delivery, where appropriate.

RESOLVED -

- (1) That the 2018/2019 Statement of Accounts, incorporating the Annual Governance Statement as attached at Appendix A to the considered report, be approved and that the Chair be authorised to certify the Statement of Responsibilities, as set out within the report.
- (2) That the Letter of Representation, as attached at Appendix B to the considered report, be signed by the Chair, on behalf of the Committee.

8 Quarterly Report of Internal Audit 2019/20 - Quarter 1

The Committee received the Internal Audit Quarterly Report, Quarter 1, which set out an overview of internal audit activity in the first quarter of 2019/2020.

The report provided feedback on 21 formal opinion based pieces of work and 6 other tasks. It was noted that, overall 71% of the work had a positive outcome, which was lower than the 80% target rate. Information regarding the investigations and work undertaken were detailed within the exempt appendix.

RESOLVED - That the Internal Audit Quarterly Report 2019/2020 (Quarter 1) be received and noted.

9 Exclusion of the Public

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

10 Quarterly Report of Internal Audit 2019/20 - Quarter 1

(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

Corporate Governance and Audit Committee - 26 July 2019

interest in disclosing the information and providing greater openness in the Council's decision making.)

The Committee received the Internal Audit Quarterly Report, Quarter 1, which set out an overview of internal audit activity in the third quarter of 2019/2020.

The Committee also received an update on the progress and implementation of an action plan following an audit of Bereavement Services.

RESOLVED - That the Internal Audit Quarterly Report 2019/2020 (Quarter 1) be received and noted.