

Contact Officer: Leigh Webb

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Wednesday 22nd July 2020

Present: Councillor Will Simpson (Chair)
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
Councillor Graham Turner

Apologies: Councillor Martyn Bolt and Councillor Kath Pinnock

1 Membership of the Committee

Apologies were received from Councillor Martyn Bolt and Councillor Kath Pinnock

2 Interests

No interests were declared.

3 Admission of the Public

It was noted that Agenda Items 15 and 16 would be considered in private session. (Minute No.s 15 and 16 refers).

4 Deputations/Petitions

No deputations or petitions were received.

5 Public Question Time

No questions were received.

6 Treasury Management Annual Report 2019/20

The Committee gave consideration to a report, submitted in accordance with Financial Procedure Rules, which reviewed treasury management activities for the previous financial year. The Committee were advised that the Council's investments averaged £32.7m and had earned an average interest rate of 0.73%. The report explained that total external borrowing had increased for the year by £31m to £426.9m, which had been mainly due to borrowing requirements in the Capital Plan

Reference was made to the Council approval in 2017-18 to revise its Minimum Revenue Provision (MRP) policy, which relates to the amount of revenue resources set aside each year to provide for its outstanding debt repayments over the longer term. This was done by updating its approach to Supported Borrowing from 2007-08

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onwards, moving from a 4% reducing balance to an annuity basis in its repayment of debt.

It was reported that in updating the approach the Council effectively over-provided in previous years the re-payment of debt to the sum of £91.1m. Within the Treasury Management Strategy 2018-19 the Council set out its approach to unwind this over-provision at £9.1m each year over the next 10 years, starting from 2017-18 onwards.

Following approval within the 2018-19 Treasury Management Strategy there was a further increase in the un-winding in the General Fund MRP for 2018-19 and 2019-20. The maximum amount of un-wind in any one year cannot be more than the overall annual MRP calculation, as otherwise the Council would end up in a negative MRP position, which is not allowable under accounting rules. The calculation estimated for the Treasury Management Strategy was £13.5m. It was explained that the actual MRP calculation for 2019-20 and hence the maximum unwind allowable is £13.7m. In the 2019-20 the unwind has therefore been increased by a further £200k.

The report outlined that Treasury management costs incurred in the year include £10.8 million on net interest payments and confirmed that the Council complied with its treasury management prudential indicators in the year.

RESOLVED -

That the Annual Report on Treasury Management 2019-2020 be received and noted.

7 Update on Final Accounts

The Committee received an update on the final accounts and audit processes for 2019/20. It was explained that the preparation of the Statement of Accounts is a statutory requirement and local authorities are normally required to have them signed by the section 151 Officer by 31 May and published with an Audit Certificate by 31 July, following the end of the financial year. However, it was reported that in a sector-wide response to the consequences of the COVID-19 pandemic and consequential logistical and capacity impact on both Council and audit capacity, CIPFA amended the statutory deadline for the production of the Unaudited Statement of Accounts for 2019-20. For the Council the revised deadline is 31 August 2020. The accompanying deadline for the completion of the audit was also amended to 30 November 2020. It was reported that despite the significant challenges to the Council's finance team dealing with multiple competing demands, the team has made significant progress and the draft accounts would be completed and signed by the Council's Service Director - Finance over the coming weeks.

It was reported that the six week public inspection period for the draft accounts 2019/20 will commence and run for 6 weeks from the date that the draft accounts are live on the Council's website. The audit of the 2019/20 Statement of Accounts is expected to commence shortly afterwards. Two historic objections that were raised during the Public Inspection period for the 2016-17 accounts had been resolved by KPMG (as reported to this committee on 26th July 2019) and the formal audit certificates were issued.

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RESOLVED –

1. That the Committee notes the revised statutory deadlines for the production of the Unaudited Statement of Accounts (31 August 2020) and for the Audited Statement of Accounts (30 November).
2. That the Committee further notes that the Unaudited Statement of Accounts are in progress notes that the dates of the public inspection period will commence once the draft accounts are live on the Council's website.

8. External Audit Update

The Committee received the External Audit Finding Report, for year end 31 March 2020, as submitted by Grant Thornton.

It was reported that the revised statutory target for the issue of the 2019/20 opinion is 30 November 2020. The Audit Plan and timetable has been discussed with officers. The final accounts audit commenced on 6 July with the findings to be reported in the Audit Findings (ISA260) Report. The Council's draft 2019-20 accounts are expected in mid July 2020. Grant Thornton will present their Audit Findings Report at the October/November Corporate Governance and Audit Committee meeting and issue their audit opinion by the 30 November target date.

Jon Roberts and Stephen Nixon, representing Grant Thornton, provided the Committee with an overview of the impact of the Covid-19 pandemic and explained that they had been liaising with members of the Council's finance team to discuss how they can work together effectively to deliver the audit despite the restrictions on physical interaction.

The report set out a number of key issues to be considered as part of the end of year closedown. Specific reference was made regarding the uncertainty around property and land valuation as a result of Covid-19.

RESOLVED - That the External Audit Findings Report, for Year end March 2020, be received and noted.

9. Annual Report of Internal Audit 2019/20 and Issues for 2020/21

The Committee received the 2019-2020 Annual Report of Internal Audit, which provided an overview of internal audit activity and conclusions on the control environment and assurance.

The report set out (i) information on internal audit activity in the year ending 31 March 2010 (ii) an opinion on the adequacy and effectiveness of the Council's framework of governance, risk and control (iii) information regarding compliance with the requirements of Public Sector Internal Audit Standards and Code of Ethics and (iv) an Audit Plan for 2019-2020, indicating the priorities for the year (v) a recommended revised Audit Plan for 2020/21 that reflects timing and resourcing matters reflecting the disruption and impact of the coronavirus pandemic (vi) the 2020/21 Audit Charter.

The report advised that, based upon an objective assessment of the Council's framework of governance, risk management and control, it had been concluded that overall arrangements to operate Council business effectively were sound.

RESOLVED –

- (1) That the 2020/21 Internal Audit Strategy and Charter be approved.
- (2) That the Committee notes that it is content with (i) the effectiveness of the internal audit function and its conformance with Public Sector Internal Audit Standards and Code of Ethics (ii) the effectiveness of the Council's overall system of internal control (iii) the effectiveness of the broader control environment, risk management and governance arrangements of the Council (iv) the proposed amended audit plan for 2020/21 and (vii) the proposals in relation to actions necessary due to the ongoing disruptions to internal audit work during 2020/21

10 Annual Governance Statement

The Committee received a report setting out the draft 2019/2020 Annual Governance Statement. It was noted that the Statement was a statutory requirement which accompanied the Statement of Accounts in order to provide assurance regarding governance and the internal control environment.

The report advised that the Statement had been compiled following the annual review of the effectiveness of the overall internal control and governance arrangements, and reflected upon a number of assurance documents which had been presented during the year.

It was requested that the Committee be kept informed of progress of the action plan throughout the year.

RESOLVED - That the draft Annual Governance Statement for 2019/20 be noted with a further draft submitted to this committee prior to formal approval in conjunction with the Annual Accounts later in the year.

11 Joshua Wood Charity

The Committee considered a report consulting on whether it considers that the council should have the right to nominate a trustee of the Joshua Wood Trust which is a charity that exists for the relief of poverty.

At present the council in its capacity as Corporate Trustee is one of the three trustees of the Joshua Wood Trust. It is the council's Cabinet that has the authority under the constitution to make the decisions of the council in its capacity as Corporate Trustee. The report highlighted that it had proved difficult to conduct trustee business as meetings of the trustees can only take place at the same time as when there are meetings of the council as Corporate Trustee. The report outlined that the council in its capacity as Corporate Trustee had been requested by the other two trustees that it will cease to be trustee.

RESOLVED - that Corporate Governance & Audit Committee endorse the proposed resolution of the Trustees of the Joshua Wood Trust to change the composition of the Trustees from the current composition (being the Vicar of Birstall; the Churchwarden of St James Heckmondwike; and Kirklees Council as corporate

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trustee) to the Vicar of St James Heckmondwike, the Churchwarden of St James Heckmondwike and a nominee of Kirklees Council who has an affinity with the locality of Heckmondwike.

12 **Quarterly Report of Internal Audit 2019/20 - Quarter 4**

The Committee received the Internal Audit Quarterly Report, Quarter 4, which set out an overview of internal audit activity for the period January 2020 - March 2020.

The report provided feedback on 29 formal opinion based pieces of work and various other tasks and projects. It was noted that, overall 87% of the work had a positive outcome, with a cumulative outcome of 82% which was higher than the 80% target rate. It was highlighted that work associated with Kirklees Neighbourhood Housing is now reported along with all other work. Information regarding the investigations and work undertaken were detailed within the exempt appendix.

RESOLVED - That the Internal Audit Quarterly Report 2019/2020 (Quarter 4) be received and noted.

13 **Quarterly Report of Internal Audit 2020/21 - Quarter 1**

The Committee received the Internal Audit Quarterly Report, Quarter 1, which set out an overview of internal audit activity for the period April 2020 - June 2020.

The report highlighted that as a result of the coronavirus a reduced level of routine work has been completed during the period. The work has included two investigations into alleged irregularity, two pieces of work assessing risk and recording processes linked to coronavirus and, a small amount of routine work and support to ongoing business projects, such as the councils monthly pay project

RESOLVED - That the Internal Audit Quarterly Report 2020/2021 (Quarter 1) be received and noted.

14 **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.

15 **Quarterly Report of Internal Audit 2019/20 - Quarter 4**

(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.)

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The Committee received the Internal Audit Quarterly Report, Quarter 4, which set out an overview of internal audit activity in the final quarter of 2019/2020.

RESOLVED - That the Internal Audit Quarterly Report 2019/2020 (Quarter 4) be received and noted.

- 16** **Quarterly Report of Internal Audit 2020/21 - 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 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 first quarter of 2020/2021.

RESOLVED - That the Internal Audit Quarterly Report 2020/2021 (Quarter 1) be received and noted.