

Contact Officer: Andrea Woodside

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 20th April 2018

Present: Councillor Hilary Richards (Chair)
Councillor Julie Stewart-Turner
Councillor Carole Pattison
Councillor Kath Pinnock
Councillor Linda Wilkinson
Councillor Ken Sims
Councillor Nigel Patrick

1 Membership of the Committee

All Committee Members were present.

2 Minutes of Previous Meeting

RESOLVED - That the Minutes of the meeting held on 9 March 2018 be approved as a correct record.

3 Interests

No interests were declared.

4 Admission of the Public

It was noted that Agenda Items 14 and 15 would be considered in private session. (Minute No's 14 and 15 refer)

5 Deputations/Petitions

No deputations or petitions were received.

6 External Audit Plan 2017/2018

The Committee received the External Audit Plan 2017-2018, submitted by KPMG External Audit, which set out a report on the review of financial statements and use of resources/value for money.

A summary of the audit plan highlighted matters relating to materiality, significant risks and value for money arrangements work. The Committee noted that materiality, for planning purposes, had been set at £11.5m. The report advised that the risk assessment in terms of value for money had identified risks in relation to the delivery of budgets, resulting from reductions in funding from central government, and also children's service arrangements, following on from the 2016 Ofsted report which had found the service provision to be inadequate.

The full audit report, as considered by the Committee, provided a more detailed breakdown of information relating to financial statements and audit planning, value

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for money arrangements work, enhanced auditor reporting and key elements of the financial statements audit approach.

RESOLVED - That the External Audit Plan 2017/2018 be received and noted.

7 Annual Report of Internal Audit 2017/18 and Issues for 2018/19

The Committee received the 2017-2018 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 2018 (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 (iv) an Audit Plan for 2018-2019, indicating the priorities for the year.

The Committee were asked to review the report and provide feedback as to the effectiveness of the systems of internal control.

In discussing the report, the Committee commented (i) that they would wish to see the identified risks within the report included within the Committee's forward work programme (ii) that they felt it may be appropriate to invite relevant officers to future meetings for discussions in instances where issues previously identified as unsatisfactory remained so and (iii) that consideration should be given to monitoring the governance arrangements of the Council's arm's length organisations and the Council taking on a more pro-active role. The Committee emphasised the need for more information to be provided which would clarify roles and responsibilities within the Council, including both officer roles and the portfolio responsibilities of the Council's Cabinet, and operational working arrangements.

RESOLVED -

- 1) That the Annual Report of Internal Audit 2017/2018 be received and noted.
- 2) That, pursuant to (1) above, the Committee confirms that it is content with (i) the effectiveness of the broader control environment, risk management and governance arrangements of the Council (ii) the effectiveness of the internal audit function and its conformance with Public Sector Internal Audit Standards and (iii) proposed audit plans for general services, and for the Housing Revenue Account and Kirklees Neighbourhood Housing for 2018/2019.
- 3) That the continued approval of the March 2017 Internal Audit Charter be confirmed.
- 4) That a forward work programme be submitted to the first meeting of the 2018/2019 municipal year, incorporating issues and concerns raised by the Committee in considering the report.

8 Annual Governance Statement 2017/18

The Committee received the draft Annual Governance Statement, which covered the period up until the Annual Statement of Accounts is considered at the meeting of the Committee in July 2018. It was noted that the Statement was a statutory requirement to accompany the Statement of Accounts relating to assurance in

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regards to governance and the internal control environment. The report advised that the draft Statement had been compiled following the annual review of effectiveness of the overall internal control and governance arrangements, and highlighted a number of 'significant governance issues', several of which were ongoing from the previous year. It was noted that the actions and controls which were being taken to address the issues raised were being formulated into an action plan which the Committee would be able to monitor during the forthcoming year.

The Committee were advised that a finalised version of the Statement would be submitted to Committee prior to the submission of the Annual Accounts in September 2018.

Discussion took place which focussed upon the 2018/2019 Action Plan, specifically section 12, which aimed to enhance organisational governance systems and procedures by addressing the recommendations arising from the work of the Kirklees Democracy Commission. The Committee emphasised the need for the proposed actions to benefit Councillors by improving the understanding of roles between executive decision makers and non-executive members, improving transparency and good governance, enabling officers and Councillors to develop more effective and positive working relationships through and improved understanding of each other's roles, and improved information sharing arrangements.

Discussion also took place with regards to the Council's Waste Strategy which was identified as a significant governance issue within the report. The Committee discussed the role of the Waste Strategy Project Board and also emphasised the importance of being engaged in discussions regarding arrangements for when the current contract expires in 2023.

The Committee noted that the report would be resubmitted with the final accounts to the next meeting in July 2018 and would also form part of the value for money conclusion work.

RESOLVED - That the Draft Annual Governance be received and that the comments raised by the Committee in considering the report, be noted and actioned as appropriate.

- 9 Proposed Revisions to the Terms of Reference - Health and Wellbeing Board**
The Committee received a report which set out proposals for amendments to the terms of reference of Health and Wellbeing Board. The proposed revisions, which were illustrated within the report, aimed to (i) provide clarity to the role and purpose of the Board, and reflect the full range of its responsibilities (ii) improve understanding as to the purpose and role of other boards and organisations (iii) build constructive relationships across the bodies and (iv) reflect changes to the voting arrangements in regards to CCG representatives.

The Committee noted the proposed changes, and endorsed the submission of the report to Annual Council for approval.

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RESOLVED - That the amendments to the terms of reference of Health and Wellbeing Board be submitted to the meeting on Annual Council on 23 May 2018 with a recommendation of approval.

10 **Proposed Dates of Council - Municipal Year 2018/19**

The Committee gave consideration to the proposed schedule of Council meetings for the 2018-2019 municipal year.

The report proposed that meetings be held on 11 July 2018, 12 September 2018, 10 October 2018, 7 November 2018, 12 December 2018, 16 January 2019, 13 February 2019, 20 March 2019 and 22 May 2019.

The Committee noted the proposed dates and endorsed the submission of the report to Annual Council for approval.

RESOLVED - That the proposed dates for meetings of Council during the 2018-2019 municipal year be submitted to the meeting on Annual Council on 23 May 2018 with a recommendation of approval.

11 **Quarterly Report of Internal Audit 2017/18 (Quarter 4)**

The Committee received the Internal Audit Quarterly Report for Quarter 4, January to March 2018. The report set out details of the internal audit work undertaken during this period and reflected the new corporate management structure in terms of reporting at Service Director level.

The report provided feedback on 22 formal pieces of work which covered a range of matters including an assessment of arrangements for market pay and honorarium payments, assessment of payroll systems and a public health contract.

The Committee noted the content of the report, and it was also requested that consideration be given to seeking feedback from other West Yorkshire Authorities as to how potential fraud matters within Planning Services are monitored, and whether it would improve transparency by putting such a system in place locally.

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

12 **Fresh Horizons Update**

The Committee received a report which set out an overview of Fresh Horizons Ltd organisation, which had entered into administration/a creditor's voluntary arrangement in September 2015, and closed following receivership during early 2016.

The report advised of the main areas of operation of the organisation, which had been formed in 2002 as a social enterprise and had worked with the Council, Kirklees Neighbourhood Housing and the community. The Committee noted that, following the closure of Fresh Horizons, some of its activity was transferred to Local Services 2 You Ltd (LS2Y), which had been established in 2011.

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Discussion took place with regard for the need for clear and effective governance of such community organisations and ensuring that there is a sufficient skills base within it for efficient management and control mechanisms to be put in place.

The Committee emphasised the need to ensure that, in working with innovative organisations, the Council fully understands their objectives, intentions, control mechanisms and exit strategy. It was also agreed that the Council needed to retain an oversight of public accountability in such cases, setting out clear expectations on service delivery, confirm partnership working arrangements and to continue to monitor the performance of the organisations. The Committee considered that, in working with community and voluntary sector enterprises, it was essential for contracts to be put in place at the offset which clearly set out expectations on roles, and arrangements for good governance and organisational support, and that the Council should ensure that expertise can be brought together to put in place an effective support arrangement, particularly during the early years of establishment, along with the need for local ward members to play an active role.

(The Committee gave consideration to the exempt information at Agenda Item 15 (Minute No. 15 refers) prior to its determination of this item).

RESOLVED –

- (1) That the update report on the Council's relationship with Fresh Horizons Ltd be received and noted.
- (2) That the Committee's comments regarding the need to ensure the establishment of effective governance arrangements for partnership working be noted and actioned as appropriate.

13 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 items 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.

14 Quarterly Report of Internal Audit 2017/18 (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.)

The Committee gave consideration to the exempt information prior to the determination of Agenda Item 11 (Minute No. 11 refers).

15 Fresh Horizons Update

(Exempt information within Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information)(Variation)

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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 gave consideration to the exempt information prior to the determination of Agenda Item 12 (Minute No. 12 refers).