

Contact Officer: Andrea Woodside

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 25th January 2019

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

Apologies: Councillor Julie Stewart-Turner

1 Membership of the Committee

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

2 Minutes of Previous Meeting

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

3 Interests

No interests were declared.

4 Admission of the Public

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

5 Deputations/Petitions

No deputations or petitions were received.

6 Public Question Time

No questions were asked.

7 Corporate Customer Standards Interim Report 2018-2019

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

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

Corporate Governance and Audit Committee - 25 January 2019

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

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

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

8 Treasury Management Strategy Update 2019-2020

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

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

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

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

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

Corporate Governance and Audit Committee - 25 January 2019

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

9 **Audit Progress Report and Sector Update**

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

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

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

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

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

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

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

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

RESOLVED - That the report be received and noted.

Corporate Governance and Audit Committee - 25 January 2019

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

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

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

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

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

12 **Exclusion of the Public**

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

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

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

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

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

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