

Contact Officer: Yolande Myers

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 22nd April 2022

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

Observers: Councillor Elizabeth Smaje (Ex Officio) – Chair of
Overview and Scrutiny Committee

Apologies: Councillor Steve Hall
Councillor Melanie Stephen
Councillor Paul Davies (ex-Officio)

1 Membership of the Committee

Apologies for absence were received on behalf of Councillor Paul Davies, Councillor Steve Hall and Councillor Mel Stephens.

2 Minutes of Previous Meeting

That the Minutes of the previous meeting, held on 11 March 2022 be approved as a correct record.

3 Declarations of Interest

No interests were declared.

4 Admission of the Public

It was noted that Agenda Item 16 would be considered in private session.

5 Deputations/Petitions

There were no deputations or petitions received.

6 Committee System Proposal - Democracy Commission Update

The Committee received an update on behalf of the Chair of the Democracy Commission. The Commission had identified several local authorities they wished to hear from and had looked to achieve a balance between those Council's operating under a Leader and Cabinet Model and those operating under a Committee System model. Approaches had been made to; (i) Brighton and Hove, (ii) Wirral and Cambridgeshire (iii) Nottinghamshire County Council, (iv) Newark in Sherwood and (v) Plymouth and Basildon.

The Democracy Commission had recognised that exploring and considering the terms of reference in an arena of considering different avenues of governance was

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an extremely large piece of work in a complex area and had concluded that it was not realistic to complete this work in advance of the 2022 Annual Meeting.

The Committee considered the indicative timeline as set out at Appendix 2 of the report which had been developed to allow for scheduling of a large number of witnesses as set out at Appendix 3. A final report back to the Committee was planned for the late Autumn/Winter.

RESOLVED – That the update and indicative timeline and witness list be noted.

7 **Changes to the Council's Constitution (Reference to Annual Council)**

Item withdrawn.

8 **Proposed Revisions to Contract Procedure Rules (Reference to Annual Council)**

The Committee received a report on the proposed changes to Contract Procedure Rules (CPR) for the municipal year 2022/23. The areas proposed for amendment related to; some restructuring to make it easier to follow and locate appropriate rules in relation to preparation and process; an updated table on procurement process to reflect UK procurement thresholds and highlighting the requirement to engage with other corporate services as appropriate, a refreshed section on tender receipt following a review of the tender opening process, an addition to include novation of contracts and updated procurement thresholds.

The Committee noted that a more fundamental review of the CPRs would be undertaken at the appropriate time in line with any legislative changes relating to the outcome of Green Paper; Transforming Public Procurement. A report back to the Committee was planned following this further review.

RESOLVED - That the proposed amendments to Contract Procedure Rules, as summarised in Appendix 1, be endorsed and referred to the meeting of Annual Council on 25 May 2022 with a recommendation of approval.

9 **Proposed Revisions to Financial Procedure Rules (Reference to Annual Council)**

The Committee received a report regarding proposed changes to Financial Procedure Rules (FPR) for the municipal year 2022/23.

The Committee was advised that as the Council Corporate Plan now determined the strategic outcomes, and individual budgets no longer included linked Service Plans as a part of the budget in the way referred to in the FPRs, the reference to them had been deleted, with emphasis on activity (which was typically a service area). There were some other revised definitions (with commensurate revision to words in the rest of the text) and minor changes to wording in relation to internal audit, purchasing cards and grants.

The wording of rights to execute virement by strategic directors and cabinet was unclear, and the threshold sum of 10% of the gross budget or £1m (Strategic directors) or £2m (Cabinet) (whichever was the smaller), meant that in practice the

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sum of £1m/£2m applied in all cases. It was recommended that strategic directors (in consultation with executive members) should be granted authority to carry out within a strategic directorates virements of up to £1m cumulatively, and Cabinet cross strategic directorate Virements, but subject to a limit of £2m per strategic directorate.

The Committee noted that the FPR report in 2021 suggested that there may be a further report on revenue and capital budgeting rules. Further analysis identified that there was no current need for fundamental changes, although there were a small number of changes recommended as a part of the 2022/23 update.

RESOLVED – That the proposed changes to Financial Procedure Rules be endorsed and referred to the meeting of Council on 25 May 2022 with a recommendation of approval.

10 **Gaining Assurance**

The Committee considered a report which set out information about the theory of assurance, the ways in which it could be obtained, the current arrangements for gaining that assurance, and requested the Committee to consider if these should be enhanced.

The Committee raised a number of areas of consideration for future assurance being (i) the rising costs in the current climate, and where discussions around this would take place (ii) how Homes and Neighbourhood Boards could have more direct involvement from Councillors (iii) whether items on the Cabinet Assurance Board would be considered by Scrutiny (iv) whether the Democracy Commission should be the mechanism to consider accountability and assurance.

RESOLVED –

1. That the report be noted.
2. That officers would consider the areas identified with a report back to the Committee.

11 **Informing the Audit Risk Assessment**

The Committee received a report, requested by the External Auditors, Grant Thornton asked that council officers complete 'Informing the Audit Risk Assessment for Kirklees Council 2021/22' which was attached to the report at Appendix A.

Grant Thornton had also requested that officers complete the 'Accounting Estimate Management Summary Letter' (Appendix B). This covered the use of accounting estimates across key accounting areas. The Committee noted that the external auditor External Audit would use the assurance letters to support their overall opinion on the Audited Statement of Accounts and Annual Governance Statement which would be presented to a later meeting of this Committee for approval.

RESOLVED – That the Committee receive and note the report and appendices, was satisfied the assertions to be true (or had no reason to believe they were untrue) and agree to submit the risk assessment document to the external auditors.

12 Audit Progress Report and Sector Update

The Committee received the Audit Progress report for Year ending 31 March 2022 from the External Auditors. The report included a summary of emerging national issues and developments that may be relevant to the council and included several 'challenge questions' in respect of these emerging issues.

The Committee noted that the detailed 2021/22 Audit plan, setting out the proposed approach to the audit of the Council 2021/22 financial statements would be brought to a further meeting of this Committee.

RESOLVED – That the External Progress Report April 2022 be noted.

13 Annual Report of Internal Audit 2021/22 & Issues for 2022/23

The Committee received a report which provided information about Internal Audit activity and the effectiveness of the system of internal control, and conclusions on the control environment and assurance provided in 2021/22, and on matters that relate to Internal Audit activity in 2022/23. The Committee noted that following the substantial disruptions in 2020/21, the year 2021/22 saw a return to a more routine distribution of planned and reactive work. There continued to be a use of audit resource to support organisational initiatives, particularly related to business grants (and the investigations related thereto).

The Head of Internal Audit advised the Committee that he concluded, on the basis of work carried out on the Council's framework of governance, risk management and control, that overall, the Council had sound arrangements to operate its business effectively.

The Committee acknowledged that audit activity in 2022/23 would need to concentrate on major areas of risk and control, based on a prioritised risk assessment. Resources would remain available to investigate significant areas of concern on a reactive basis.

RESOLVED –

1. That the Committee is content with the (i) effectiveness of its Internal Audit function, noting its conformance with Public Sector Internal Audit Standards and Code of Ethics (ii) effectiveness of the Council's overall system of internal control (iii) effectiveness of the broader control environment, risk management and governance arrangements of the Council (subject to the observations contained within the report). (iv) the 2022/23 Internal Audit Strategy and Charter (v) the proposed Audit Plans for 2022/23;
2. That authority be given for the Head of Internal Audit to vary the proposed audit plan as is considered necessary, subject to reporting back as a part of the quarterly review process

14 Quarterly Report of Internal Audit Q4 2021/22 January 2022 to March 2022

The Committee received a report which set out the activities of the Internal Audit in the final quarter of 2021/22.

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The report provided information about two investigations regarding the cumulation of a significant business rate grant fraud investigation, and allegations about a contractor. There were 17 formal completed pieces of work, which included 6 schools (all substantial assurance) and 5 follow ups (intro areas such as community grants, bank reconciliation) all with positive assurance outcomes. Of the new work there were positive outcomes in most areas (including residential placements, climate change actions, and It networks), but a need for improvement in relation to aspects of adult's emergency duty services and school transport.

The Committee acknowledged that there had been no Regulation of Investigatory Powers Act activity during the period quarter 4 2020/21.

RESOLVED – That the Q4 Internal Audit Report 2010/21 be noted.

15 **Exclusion of the Public**

RESOLVED – That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during the consideration of 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.

16 **Quarterly Report of Internal Audit Q4 2021/22 January 2022 to March 2022** (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 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The Committee noted the exempt information, which was an appendix to Agenda Item 14.