



Name of meeting: Corporate Governance and Audit Committee

Date: 29 September 2023

Title of report: Corporate Governance and Audit Committee Annual Report

Purpose of report: This report provides an assurance that the Corporate Governance and Audit Committee has discharged its duty in ensuring that the Committee complies with the CIPFA's Position Statement: Audit Committees in Local Authorities and Police.

| | |
|--|--|
| Key Decision - Is it likely to result in spending or saving £500k or more, or to have a significant effect on two or more electoral wards? Decisions having a particularly significant effect on a single ward may also be treated as if they were key decisions. | Yes/ no or Not Applicable Not Applicable |
| Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)</u>? | Key Decision – No Private Report/Private Appendix – No |
| The Decision - Is it eligible for call in by Scrutiny? | Not Applicable This does not require an executive decision. |
| Date signed off by <u>Strategic Director</u> & name Is it also signed off by the Service Director for Finance? Is it also signed off by the Service Director for Legal Governance and Commissioning? | For information only No financial implications – for information only Julie Muscroft – 19 Sept 2023 |
| Cabinet member portfolio | Cllr Paul Davies |

Electoral wards affected: Not Applicable

Ward councillors consulted: Not Applicable

Public or private: Public

Has GDPR been considered? There are no GDPR Implications

1. Summary

This report sets out the draft annual report of the Corporate Governance and Audit Committee for the 2022/23 municipal year.

2. Information required to take a decision

In accordance with best practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA), this report demonstrates how the Committee has discharged its responsibility.

The report demonstrates how the Committee supports the Council's governance arrangements, and in doing so supports the Council's vision to be a district which combines a strong sustainable economy with a great quality of life – leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives.

3. Implications for the Council

3.1 Working with People

Not applicable.

3.2 Working with Partners

Not applicable.

3.3 Place Based Working

Not applicable.

3.4 Climate Change and Air Quality

Not applicable.

3.5 Improving outcomes for children

Not applicable.

3.6 Financial Implications for the people living or working in Kirklees

Not applicable.

3.7 Other (e.g. Integrated Impact Assessment (IIA)/Legal/Financial or Human Resources) Consultees and their opinions

Not Applicable

4. Consultation

Not applicable.

5. Engagement

Not applicable.

6. Next steps and timelines

Subject to approval by the Corporate Governance and Audit Committee, the Annual Report will be considered at Council.

7. Officer recommendations and reasons

The Corporate Governance and Audit Committee is requested to: -

- 1) Note the assurances set out in this report that the Committee complies with CIPFA's Position Statement: Audit Committees in Local Authorities and Police; and
- 2) Approve the draft Annual Report at Appendix A to this report and to recommend consideration at Council.

8. Cabinet Portfolio Holder's recommendations

Not applicable.

9. Contact officer

Nicola Sylvester, Principal Governance and Democratic Engagement Officer.
01484 221000

10. Background Papers and History of Decisions

None.

11. Service Director responsible

Julie Muscroft, Service Director – Legal Governance and Commissioning



Annual Report to Council

**Corporate Governance and
Audit Committee**

2022/23

Annual Report of the Corporate Governance and Audit Committee 2022/23

Foreword by Councillor Yusra Hussain – Chair

I am delighted to introduce an annual report of Corporate Governance and Audit Committee, summarising the contribution we have made during the Municipal Year to the achievement of good governance and internal control within the Council.

All Members of the Committee bring an independent and open mind to the business of the Committee, and I thank them for the contributions they have made.

We have:

- Overseen the production of the draft Annual Governance Statements for 22/23 as well as 21/22
- Reviewed the Council's accounts for 21/22. Approval will be completed in the 2023/24 Municipal Year for 22/23.
- Overseen the work of internal audit, established a risk-based audit plan and reviewed the quarterly and annual report from the Council's Internal Audit team.
- Reviewed the Constitution, Financial and Contract Procedure Rules
- Ensured that assurance reports have been reviewed in detail on the key aspects of the Council's internal control arrangements including:
 - Risk management
 - Emergency planning
 - Business Continuity
 - Financial management (including arrangements for Treasury management)
 - Customer access and complaints handling
 - Information governance
 - Health and Safety arrangements
- Considered the interim polling district review
- Reviewed the improvement of SAP control
- Provided robust challenge to our arrangements and monitoring for areas in need of improvement.

- Recommended to council a revision to the Terms of Reference of the Health and Wellbeing Board.

In addition to the work undertaken through our formal meeting cycle, I have been pleased, as the Committee's chair, to engage in:

- At the request of the Local Government Association, the establishment of the Yorkshire and Humberside Audit Chairs forum of which I was appointed Chair.
- The recruitment of a non-voting co-opted independent member for the Committee.

The Committee is supported by a number of officers who attend regularly and bring expertise in relation to governance, internal audit and finance. Without the support of the staff, it would not be possible for the Audit Committee to be as highly effective as it is, and my thanks and that of my fellow Committee members are given to all our officers.

1. INTRODUCTION

Governance in, and of the public sector, continues to be high profile with the Chartered Institute of Public Finance and Accountancy (CIPFA) supporting good practice in local government. Being well managed and well governed are important attributes in helping to improve performance and in reducing the risk of failing to achieve our objectives and providing good service to our community.

This annual report to Council demonstrates the importance Kirklees Council places on the authority's governance arrangements. The report on the work of the Council's Corporate Governance and Audit Committee demonstrates;

- How the Corporate Governance and Audit Committee has fulfilled its terms of reference.
- The extent to which arrangements comply with national guidance relating to audit Committees.

The benefits to the Council of operating an effective Audit Committee are:

- Maintaining public confidence in the objectivity and fairness of financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and any other similar review process; for example, reviewing and approving the Annual Statement of Accounts and the Annual Governance Statement, and the Quarterly Reports from Internal Audit and the Annual Report from the Head of Audit.
- Providing sharp focus on financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of the financial reporting process, including specific review on behalf of the Council of specialist parts of budgeting and accounting policy and practice – such as Treasury Management.
- Assisting the co-ordination of sources of assurance and, in so doing, making management more accountable.
- Providing additional assurance through a process of independent and objective review.
- Raising awareness within the Council of the need for governance, internal control and the implementation of audit recommendations.
- Monitoring of related areas such as the Council's approach to threats from fraud, bribery and corruption.
- How the Corporate Governance and Audit Committee has contributed to strengthening risk management, internal control, and governance arrangements.

This report provides additional assurance and underpins the Annual Governance Statement, which is approved by the Committee.

2. COMMITTEE INFORMATION

Audit Committee Membership

Nine elected members served on the Committee in 22/23:

- Councillor Yusra Hussain (Chair)
- Councillor Ammar Anwar
- Councillor Kath Pinnock
- Councillor Harry McCarthy
- Councillor Elizabeth Reynolds
- Councillor Joshua Sheard
- Councillor John Taylor

Substitutes were invited to attend and contribute to all meetings and training.

Training

The Committee continues to undertake a programme of training, and this year they have received training in relation to:

- Treasury Management, provided by Arlingclose (independent treasury advisers)
- Final Accounts, provided by James Anderson, KMC the Head of Accountancy

The recruitment of a non-voting co-opted independent member on the Committee.

In summer 2022, the Government indicated an intention to create a statutory obligation for local authorities to have an Audit Committee, including an independent member, initially on a voluntary basis. The Committee considered that there would be merit in adopting the proposal for having an independent member.

Following the recommendation of the Committee, Council approved the appointment of a non-voting co-opted independent member of the Committee and in line with the CIPFA guidance for Audit Committee in Local Government, we prepared a role description and person specification. During the course of the municipal year a panel, drawn from the Committee's membership along with the Head of Internal Audit, invited applications from candidates for the role. Five applications were received, and we were pleased to appoint Chris Jones, a qualified accountant who has held a senior management and consulting role in the further education sector to the role.

3. COMMITTEE BUSINESS

The Committee met on ten occasions during the year with meeting dates structured around the regular receipt of annual assurance reports, external and internal audit reporting cycles, and the statutory requirements around the production of the Accounts and Annual Governance Statement.

This frequency of meetings ensures the Committee can fulfil its responsibilities in an efficient and effective way and has been benchmarked against the CIPFA recommended practice and arrangements in other local authorities.

A list of the reports considered by the Corporate Governance and Audit Committee can be found in **Appendix A**. The main outcomes of the Committees work in relation to its core functions can be summarised as follows:

Accounts

The Committee has:

- Received reports on the Statement of Accounts from the Director of Finance and approved the statement of accounts 2021/22 (statutory Chief Finance Officer).
- Approved the Statement of Accounts 2021/22 incorporating the Annual Governance statement with delegated authority of the Chair of Corporate Governance and Audit Committee and the Service Director – Finance who is to sign the final accounts once external audit had signed the audit opinion.
- Received and considered reports from the External Audit on the Statement of Accounts.

External Audit

The Committee has received from the Council's appointed external auditor, Grant Thornton:

- The external audit plan;
- Regular reports setting out progress against the audit plan and sector updates;

In addition the Committee has continued to consider the responses of management to audit recommendations, to ensure that appropriate actions are agreed and implemented and approved the provision to the auditor of assurances about the governance and financial arrangements of the authority. The Committee also oversaw value for money advice from the auditor.

Internal Control

The Committee has:

- Approved the annual reports from the head of internal audit;
- Overseen the production of and recommended the adoption of the Annual Governance Statement;

- Received and considered Assurance reports in relation to;
 - Financial Management arrangements
 - Fraud Investigations
 - Treasury Management
 - Risk management
 - Customer Contact and Satisfaction
 - Information Governance
- Requested specific work items to;
 - Follow up and receive additional assurances around the Primary Care Networks which were established during the 2021-22 municipal year.
 - Follow up on an area of concern identified by the external auditors in relation to SAP controls.
 - Follow up on the motion on the Committee System Proposal.

IT Audit Controls

At their meeting on 2 December 2022, the Committee considered a report on IT controls submitted as part of the 2021/22 audit review by Grant Thornton, the external auditor. The Committee asked that the Head of Technology attend the following meeting to answer questions related to the matter raised by the auditor.

Internal Audit, as part of this work, reviewed arrangements and found that with the exception of one minor issues, strong progress had been made. The Committee considered the issue, which included the questioning the Head of Technology at its meeting and was subsequently satisfied with the controls in place.

Committee System Proposal

Following the motion received at Annual Council on 19 May 2021, the Committee has overseen the work of the Democracy Commission, receiving regular update reports in addressing the terms of reference for the Democracy Commission as agreed by the Committee.

The Committee would like to thank the Democracy Commission, Chaired by Councillor Cathy Scott for undertaking an extensive review of the council's governance arrangements.

At the Corporate Governance and Audit Committee meeting on 2 December 2022, the Committee approved the recommendation to retain the current model of governance (Cabinet and Strong Leader Model) with further suggested improvements to strengthen the role of good scrutiny and decision making. This was agreed by Council on 11 January 2023.

The Committee will consider the review of the implementations of the recommendations of the Democracy Commission at its meeting in March 2024.

Knowledge and Skills Framework

Members bring with them a range of knowledge and skills from their working life and elected representative roles to the work of the Committee.

The Committee's skills and knowledge will be further complemented by those of the non-voting co-opted independent member, who in turn will receive a full induction to the role to enable them to apply their knowledge, skills, and experience in the local government setting.

As in previous years, the Chief Finance Officer and Head of Accountancy provided training to the Committee in preparation for their examination of the Accounts and further training is provided to Members as necessary.

Looking Forward

I'm pleased to pass the role of Chair on to Councillor James Homewood who will steer the Committee through the challenges we all face together in the year ahead.

The Committee will continue with its regular receipt of reports, and the Committee will provide the usual level of robust challenge to corporate governance and audit practice and procedure across the authority to ensure that our arrangements are up to date and fit for purpose, communicated, embedded, and routinely complied with. In addition, the Committee will request and consider reports in relation to relevant matter which come to our attention during the course of the year.

Councillor Yusra Hussain

CORPORATE GOVERNANCE AND AUDIT COMMITTEE ACTIVITY – 2022-23

APPENDIX A

| Reports | May 22 | June 22 | July 22 | Sep 22 | Nov 22 |
|---|--------|---------|---------|--------|--------|
| Members' Allowances Independent Review Panel | | | | | |
| Changes to the Council's Constitution | | | | | |
| Corporate Customer Standards Interim Report 21-22 | | | | | |
| Annual Report on Treasury Management 21-22 | | | | | |
| External Audit Plan | | | | | |
| Government response to local audit framework: technical consultation | | | | | |
| Revisions to the terms of reference for the Health and Wellbeing Board | | | | | |
| Corporate Emergency Planning and Business Continuity Annual Report | | | | | |
| Members' Allowances Independent Review Panel | | | | | |
| Quarterly Report of Internal Audit Q1 22-23 April 2022 to June 2022 | | | | | |
| Interim Polling District Review | | | | | |
| Update on Representation on Outside Bodies | | | | | |
| Annual report on bad debt write-offs 21-22 | | | | | |
| Draft Annual Governance Statement 21-22 | | | | | |
| Audit progress report and sector update | | | | | |
| Appointment of an independent member to the CGA Committee | | | | | |
| Half Yearly Monitoring Report on Treasury Management Activities 22-23 | | | | | |
| Audit Findings | | | | | |
| Update on Representation on Outside Bodies | | | | | |
| Quarterly Report of Internal Audit Q2 22-23 July 2022 to September 2022 | | | | | |

CORPORATE GOVERNANCE AND AUDIT COMMITTEE ACTIVITY – 2022-23

APPENDIX A

| Reports | Dec 23 | Feb 23 | March 23 | Apr 23 | May 23 |
|--|--------|--------|----------|--------|--------|
| Corporate Customer Standards Annual Report 21-22 | | | | | |
| Change to Council Budget meeting date 2023 | | | | | |
| Committee System Proposal – Democracy Commission Report | | | | | |
| Public Sector Internal Audit Standards Five Yearly External Review | | | | | |
| Treasury Management Strategy and Investment Strategy 2023/23 | | | | | |
| Annual Governance Statement 2021/22 | | | | | |
| Audit Findings | | | | | |
| Approval of the Council's final accounts for 2021/22 | | | | | |
| Dates of Council Meetings 2023/24 | | | | | |
| Risk Management Update | | | | | |
| IT Audit Controls Update | | | | | |
| Annual Report – Information Governance | | | | | |
| Quarterly Report of Internal Audit Quarter 3 22/23 October 2022 to December 2022 | | | | | |
| Lead Councillor Role – Primary Care Networks and Local Health Improvement | | | | | |
| Quarterly Report of Internal Audit Quarter 3 22/23 January 2023 to March 2023 | | | | | |
| Annual Report of Internal Audit 2022/23 & Issues for 2023/24 | | | | | |
| Changes to the Council's Constitution | | | | | |
| Amendments to Overview and Scrutiny | | | | | |
| Revisions to Financial Procedure Rules | | | | | |
| Revisions to Contract Procedure Rules | | | | | |
| Informing the Audit Risk Assessment | | | | | |
| External Audit Progress Report | | | | | |

