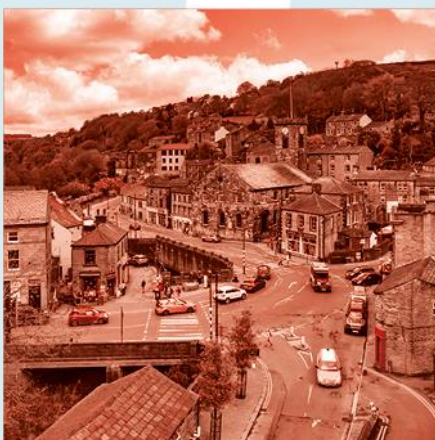


Annual Report 2023/24

Corporate Governance & Audit Committee



ACHIEVING INCLUSION

 **Kirklees**
COUNCIL

Annual Report of the Corporate Governance and Audit Committee 2023/24

Foreword by James Homewood – 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.

This report seeks to chart our progress during the 2023/24 Municipal Year in providing that degree of independence, challenge and questioning across a wide range of control and corporate governance matters, and I thank all Members for the contributions they have made.

We have:

- Overseen the production of the Annual Governance Statement for 22/23.
- Approved the Council's accounts 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
 - Business Continuity
 - Financial management (including arrangements for Treasury management)
 - Customer access and complaints handling
 - Information governance
 - Health and Safety arrangements
- Considered the statutory polling district and places review.
- Provided robust challenge to our arrangements and monitoring for areas in need of improvement.

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. I would like to thank everyone who took time to contribute to our extensive work programme.

In addition to the work undertaken through our formal meeting cycle, I have been pleased, as the Committee's chair, to engage in the Yorkshire and Humberside Audit Chairs forum of which I was appointed Chair.

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. The Local Government Association also produces substantial useful material on how a successful local authority should be governed. 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 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 accounting policy and practice – such as Treasury Management.
- Enabling 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 links to the Annual Governance Statement, which is approved by the Committee.

2. COMMITTEE INFORMATION

Audit Committee Membership

Seven elected members and one independent member served on the Committee in 2023/24:

- Councillor James Homewood (Chair)
 - Councillor Yusra Hussain
 - Councillor Kath Pinnock
 - Councillor Harry McCarthy
 - Councillor Naheed Mather
 - Councillor Melanie Stephen
 - Councillor John Taylor
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- Chris Jones (Independent Person)

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

Training

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

- Treasury Management, provided by Arlingclose (independent treasury advisers)

3. COMMITTEE BUSINESS

The Committee met on nine 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. The Committee adds value through its questioning and challenge whilst receiving additional information as requested at meetings. Meetings are open to the public, so they can witness in person the challenge the Committee bring. Part way through the year web broadcasting was added to further enable public access and oversight.

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 & Treasury Management

Council has delegated to the Committee authority to approve the Statement of Accounts including whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit.

The Committee also considers matters related to Treasury Management matters prior to recommending these to Council who formally determine treasury management policy.

The Committee has:

Account Authorisation

- Received and considered the Council's Final Accounts 2021/2022 and 2022/23 incorporating the Annual Governance Statement. There is delegated authority for the Chair of Corporate Governance and Audit Committee and the Service Director – Finance to sign the final accounts once external auditor had issued the audit opinion.

Treasury Management

- Received the Annual report on Treasury Management 2022/23, incorporating Treasury Management activities for the previous financial year which reviewed borrowing and investment performance.
- Received the Mid-year report on Treasury Management 2023/24, providing assurance that the Council's treasury management function was being managed prudently and pro-actively, and complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy.
- Received the Treasury Management Strategy and Investment Strategy 2024/25, providing information on (i) the outlook for interest rates and credit risk, and a recommended investment strategy (ii) the current and estimated future levels of Council borrowing (internal and external) and a recommended borrowing strategy (iii) methodologies adopted for providing for the repayment of debt and a recommended policy for calculating minimum revenue provision (iv) 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 (Non-Treasury Investment) for the Council in 2024/25.

Other Financial Management

- Considered the Annual report on bad debt write-offs which detailed the debts written off in the financial year 2022-23. It was noted that business rate write-offs were down compared to the previous year and that the service was carrying out a single person discount review for council tax.

External Audit

The external auditors for both financial years were Grant Thornton. The firm was appointed by Public Sector Audit Appointments Ltd (PSAA) (a subsidiary of the Local Government Association) who manages the appointment of external auditors for the vast majority of English local authorities. Following a further competition PSAA reappointed Grant Thornton as auditors for the financial year 2023/24, and the next four years.

In keeping with many other authorities, the final sign-off for the accounts for 2021/22 took place during the municipal year 2023/24, approximately one year later than was intended, following clarity on the national approach to the authorisation of certain types of accounting entries. The external auditors were also able to present their report on the accounts that related to the financial year 2022/23 only slightly behind the national target times, so the council's auditors presented opinions on two years to accounting information during 2023/24.

The Committee played a significant role in overseeing the Council's relationship with its appointed external auditors, Grant Thornton, and took an active role in reviewing the external audit plan and updates alongside the finding of the value for money review.

The Committee has:

- Received the external audit interim plan 2021/22, which set out a summary of the work of the Auditors with specific regard to financial sustainability, governance and improving economy, efficiency and effectiveness of the Council, and discussed the importance of the value of more regular performance reporting and questioned the capacity of the Council to meet the financial challenge it faced.
- Received the Audit Plan 2022/23, which advised that the Council had set a balanced budget for 2023/24 against the backdrop of significant financial challenges and embarked on and noted that the Council was embarking on a transformational savings programme, requiring rigorous monitoring, which aimed to restore financial balance and avoid the depletion of reserves to an unsustainable level. It was reported that the 2021-22 audit had not yet concluded due to delays in obtaining appropriate assurances from the auditor of the West Yorkshire Pension Fund.
- Received the External Audit Findings Report 2021/22. Grant Thorntons work was substantially complete and there were no matters that required modification to their audit opinion or material changes to the financial statement subject to the outstanding matters in the report.
- Received the interim External Audit Findings Report 2023. Grant Thorntons work was substantially complete and there were no matters that required modification to their audit opinion or financial statement shown in the report. It was anticipated that the audit report opinion would be unqualified and discussed (i) audit findings around SAP controls (ii) the minimum revenue provision (iii) the progress in relation to financial sustainability and the achievement of identified savings (iv) the recovery plan in respect of the Dedicated Schools Grant.
- Received the Auditors Annual Report 2022/23. The report set out a summary of the work of the Auditor's with specific regard to financial sustainability, governance and improving economy, efficiency, and effectiveness of the Council. The auditors report highlighted concerns about financial sustainability and the challenges of the savings planned, which they believed that the council needed to address through its budget setting process for 2024/25. As the auditors issued their key recommendation in July 2023, it was appropriate that the significant weakness in financial sustainability identified at that point remained in place for the current year of audit (2022/23) and discussed the sharing of information with Committee members, the culture of staff understanding the importance of making savings and working differently with Communities.

- Assurances were sought from the external auditors on how confident they felt that the Council were on track with addressing the significant financial challenges due to the continuing overspend in all areas.
- Received the Audit Progress Report and Sector Update. Grant Thornton advised on the audit teams changes following conclusion of the 2022-23 audit cycle along with the update including a summary of emerging national issues and developments that were relevant along with a number of challenging questions in respect of emerging issues.
- The Committee noted that both the value of money and final accounts audit assurance reports included recommendations to mitigate risks or avoid recurrence of issues (in areas such as budget management, IT controls etc). They determined that they felt that officers of the council needed to be clearer about actions taken and asked for a routine reporting back (which will start in 2024/25) re the 2021/22 and 2022/23 external auditors report.
- Received a report on Informing the Audit Risk Assessment for Kirklees Council which asked council officers to complete details which consisted mainly of a schedule of issues relating to (i) General Enquiries of Management (ii) Fraud (iii) Fraud Risk Assessment (iv) Laws and Regulations (v) Impact of Laws and Regulations (vi) Related Parties with whom the council had or recorded transactions (vii) Going concerns (viii) Accounting Estimates (ix) Accounting Estimates – General Enquiries of Management.
- Received the External Audit Plan 2023/24, which advised that Grant Thornton was responsible for forming and expressing an opinion on the council and groups financial statements that had been prepared by management with the oversight of those charges with governance which included (i) Significant risks (ii) Group Audit (iii) Materiality (iv) Value for Money arrangements (v) Audit logistics.

Internal Control

The Council has delegated to the Committee authority to approve the Annual Governance Statement and the Committee works closely with the internal audit functions, both overseeing the independence and effectiveness of the service, and receiving assurance to the adequacy and effectiveness for the Council's internal control environment.

The Committee has:

- Noted and received the Annual Governance Statement 2022/23, prior to it being signed off by the Chief Executive and Leader of the Council, which concluded that overall, the governance arrangements remained fit for purpose. The statement highlighted a number of 'Significant Governance Issues'. The actions and controls the Council is taking were contained within a recommended action plan which was intended to be the subject of internal monitoring, with reporting back to Executive Team and the Committee during 2023/24.
- Noted information relating to internal audit work. In Quarter 1 to 4 of 2023/24 (the final quarterly report was considered at the May 2024 meeting) which included the number of audits completed and the assurance relating to the audits. During the year, the format of these quarterly reports was amended, so that more information was contained within a public report. The Committee discussed topics such as assurance on budget management and forecasting processes and determined that in order to improve the awareness of the committee as regards the implementation of audit recommendations, they would ask Internal Audit to make changes to their follow up work, so that the Committee were aware of the progress made.

- The committee acknowledged that there had been no regulation of Investigatory Powers Act activity during the periods 2023/24.
- An Internal Audit update during summer 2023 set out the proposed audit plan for the second half of 2023/24 was also received. The committee considered the allocation of resources and noted that greater emphasis during school audits was to be put on those with budget deficits.
- The Committee agreed the Internal Audit Plan for Spring and Summer 2024 and the indicative plan for Autumn /Winter 2024/25. They asked that timings for audits be identified quarterly to improve incentives on auditors and management to complete work promptly and asked that further analysis take place as they noted that on balance internal audit work on schools, including those with risks, were probably disproportionately resourced compared to other areas of internal audit activity where assurance was sought. The committee also asked that additional resource be devoted to areas with a regulatory risk, particularly in relation to social housing.
- Received and Noted the Risk Management Annual Report 2023/24. The report explained that robust risk management was a central feature of good governance and the Council's approach to risk management had built on the success of the previous year with proactive risk management continuing. Although significant progress had been made, there remained a level of inconsistency in the extent that risk management was embedded within the day-to-day operations and the culture of the council. It was still necessary to drive greater improvements which needed to be both realistic and proportionate as set out in the report and discussed the risk framework used at a strategic level, the procedure if a risk remained unchanged for 12 months and how the framework was used to inform decision making.
- Received a progress report against the Annual Governance Statement 2022/23 action plans which advised that issues identified in the 2022/23 statement would form part of the draft 2023/24 Annual Governance Statement. Further actions taken and planned actions in 2023/24 were provided.
- The committee was informed that the regulator of Social Housing had submitted notice to make improvements to the standards of fire safety, damp and mould. It was noted that Kirklees had self-referred to the regulator and understood its responsibilities. The Committee noted that the housing improvement board had been established which should help to strengthen governance, and they asked that the internal audit plan for 224/25 include resources to assist and assess the improvement plan.
- Considered the Internal Audit Plan for 2024/25 which provided independent assurance about the business processes for the Council following a programme of work to give coverage across the organisation's areas of risk. The Committee suggested that the housing system (CX) to be implemented should be included within the Audit plan.
- The Democracy Commission was referenced, with a suggestion that an update on the Democracy Commission recommendations to be provided at future meeting. It was noted that the Committee felt the Annual Governance Statement was unclear on the impact of delivery on services and focussed more on process.
- The Committee reflected on the agenda items of the Committee and requested that documents and agenda items that complimented each other were on the same agenda, along with an agenda plan to be published.

Corporate & Other Organisational Assurance

The Committee plays a significant role in reviewing assurance reporting from other areas of the Council.

The Committee has:

- Received the emergency planning and business continuity annual report which provided a snapshot of the work of the Emergency Planning Team and provided assurance to the Committee that they were compliant with the core duties in the Civil Contingencies Act and discussed the proportionate approach to the risks and threats faced by the Council and areas of weakness within Emergency Planning.
- Received a report providing an update on the Information Governance service and offer outlining key events and activities across the year. Members acknowledged the increased number of Freedom of Information and Subject Access Requests along with measures in place to deal with backlogs.
- Considered the interim and annual reports on Corporate Customer Standards 2022/23, providing examples of complaints and discussed how the corporate customer standards complaints process was looking to develop and improve over the next couple of years whilst welcoming the work being undertaken with the Restorative Practice Team.

The Committee plays a significant role in overseeing the work of those areas of the council designed to ensure strong corporate governance.

The Committee has:

- Considered changes proposed to both the Planning Scheme of Delegation and to Planning Committees which included moving from the current three committee structure to two planning committees. Suggested recommendations from the committee were put forward that the wording in relation to proposed changes to the scheme of delegation in relation to applications for the modification of the definitive map and statement under the Wildlife & Countryside Act 1981 and to the Planning Committee Protocol.
- Considered the Annual report on bad debt write-offs which detailed the debts written off in the financial year 2022-23. It was noted that business rate write offs were down compared to the previous year and that the service was carrying out a single person discount review for council tax.
- Received a report setting out a review of the Council's polling districts and polling places, which had been conducted in conjunction with the (Acting) Returning Officer to seek improved accessibility to polling stations for electors within the defined areas and ensured that Kirklees had a polling scheme in place which reflected the new Parliamentary constituencies.
- Received a report which set out a provisional schedule of Council meeting dates for 2024-25 municipal year and highlighted that there were no planned meetings between Feb 25 and July 2025 apart from the meetings solely for consideration of the Budget and AGM.
- Received an update on representation on Outside Bodies, The Service Director, Legal, Governance and Commissioning has delegated authority in consultation with Group Business Managers to receive and process nominations to the Outside Bodies. Changes to the Council's Outside Body representation had occurred and had been incorporated into the Council's database of outside body representation.

- Received an update of Democracy Commission recommendations of retaining the current Leader and Cabinet model of governance whilst strengthening the existing scrutiny functions, increasing dialogue with Cabinet Members on key strategic issues to increase transparency and develop formal and informal engagement with members, along with identifying potential barriers preventing some members being appointed to committees/panels due to timing, frequency, and location. Members noted that pre-decision scrutiny worked well when there was open and transparency in sharing information and that pre-decision scrutiny recommendations should be added into officer's reports.
- Received proposed revisions of the Terms of Reference for the Kirklees Health and Wellbeing Board 2024/25 ensuring that the Board would meet its statutory obligations and fulfil the local and national policy commitment to partnership-based approaches to improving health and wellbeing suggesting that Schools/Colleges be represented on the Board.
- Received the proposed amendment of arrangements for Corporate Parenting Board which advised that to support the establishment of broader partnership arrangements, and to strengthen current arrangements in supporting child in care and care leavers, it was proposed that the current arrangements be amended to reflect that the Board would be a closed partnership meeting following the revision of the terms of reference and revised corporate parenting strategy.
- Received proposed amendments to contract procedure rules advising that the proposed changes were minor updates to the procurement threshold limits and updated rule 8 disposals.
- Received proposed amendments to financial procedure rules advising that the proposed changes related to capital budgeting, budgetary control arrangements and minor changes regarding grants.
- Received proposed amendments to the Council's Constitution which proposed changes in relation to different parts of the constitution. It was noted there had been some changes using delegated authority granted to the Monitoring Officer to reflect changes to officer's titles, typing or grammatical errors, old references and new legislation. Suggestions were made to define wording in the constitution. Members supported the changes for the process for responses to written questions at full council meetings, but not for the proposed amendments to questions at Cabinet and wider committee/Board/Panel meetings. It was noted that this change along with speaking rights for Member and public at committees be considered as part of a future review.

Matters identified during consideration of items at the meetings were:

- Follow up and receive additional information on the Audit findings for Kirklees Stadium Development Ltd.
- Follow up on assurance on budget management and forecasting processes.
- Lead Members to be asked to consider a meeting of Council between February and July 2025.
- An agenda plan of the Committees agenda items to be published.
- An update on the Democracy Commission recommendations.
- Services that had not implemented audit recommendations be invited to committee meetings to provide updates.

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 was further complemented by the non-voting co-opted independent member, who was able to bring professional knowledge, skills, and experience to assist the committee with its work in seeking assurance and actions from management. The Committee intends to self-evaluate their effectiveness in providing assurance to the Council, as a part of good practice (this will be done early in the 2024/25 municipal year).

As in previous years, the 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 John Taylor who has been an active member of the committee for several years, and I am sure 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 be more involved in setting the agenda, looking to take further deep dives into areas of concern, with the aim of the Committee adding more value and further strengthening our governance approach.

Councillor James Homewood