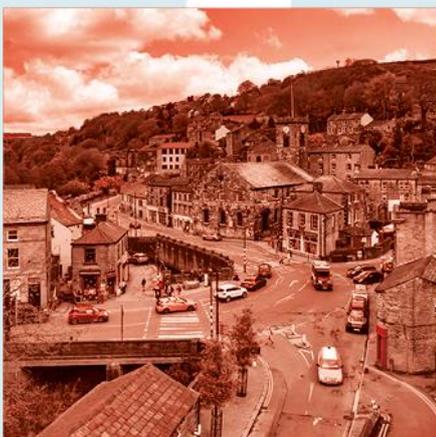


Annual Report 2024/25

Corporate Governance & Audit Committee



ACHIEVING INCLUSION

 **Kirklees**
COUNCIL

Annual Report of the Corporate Governance and Audit Committee 2024/25

Foreword by Councillor John Taylor – Chair

I am delighted to introduce the annual report of Corporate Governance and Audit Committee, summarising the contribution we have made during the 2024/25 Municipal Year to achieve good governance and internal control within the Council.

This report seeks to chart our progress 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 2023/24.
- Approved the Council's accounts for 2023/24.
- 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
- 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 with them their expertise in relation to governance, internal audit and finance. Without the support of Officers, the Audit Committee would not be as highly effective as it is. Therefore, I would like to thank everyone who took the 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.
- The recruitment of a non-voting co-opted independent member for the Committee.

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 reducing the risk of failing to achieve our objectives, as well as providing a good service to our community.

This Annual Report to Council captures the importance Kirklees Council places on the authority's governance arrangements, and 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, the Annual Governance Statement, 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 reviews 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 doing so, 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.
- Contributing to strengthen 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 2024/25:

- Councillor John Taylor (Chair)
 - Councillor James Homewood
 - Councillor Kath Pinnock
 - Councillor Angela Sewell
 - Councillor Caroline Holt
 - Councillor Imran Safdar
 - Councillor Jane Rylah
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- Chris Jones (Independent Person)

Most committee meetings throughout the 2024/25 municipal year took place with six elected Members and one Independent Member due to a vacancy.

Substitutes can attend and contribute to meetings and training.

The Chair of the Standards Committee, The Chair of Overview and Management Committee and the Cabinet Member with responsibility for Corporate Governance (Ex-Officio's) were invited to attend and contribute to all meetings and training. The Committee would welcome and encourage their attendance at all meetings scheduled in the 2025/26 municipal year, as the Committee feels that their attendance and input greatly benefits debates and decision making.

Training

The Committee continues to undertake relevant training, and have so far this year received training in relation to:

- Treasury Management, provided by Arlingclose (independent treasury advisers)
- Governance, provided by the Service Director for Legal, Governance and Commissioning
- External Audit, provided by Grant Thornton
- Audit Committee updates for 2025, provided by Grant Thornton.

3. COMMITTEE BUSINESS

The Committee met on eight 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 in relation to 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, or via webcast, the challenge the Committee brings.

The 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 are summarised below:

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 relating to Treasury Management prior to recommending these to Council, who then formally determine the Treasury Management Policy.

The Committee has:

Account Authorisation

Received and considered the Council's Final Accounts 2023/2024, which incorporated the Annual Governance Statement. There is delegated authority for the Chair of the Corporate Governance and Audit Committee and the Service Director for Finance to sign the final accounts once the external auditor had issued the audit opinion. A success was noted in concluding the 2023/24 accounts and the Value for Money work in January 2025.

Treasury Management

- Received the Annual report on Treasury Management 2023/24, incorporating Treasury Management activities for the previous financial year, which reviewed borrowing and investment performance.
- Received the mid-year report on Treasury Management 2024/25, which provided 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 2025/26, which provided 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
 - (v) a recommended annual investment strategy (Non-Treasury Investment) for the Council in 2025/26. Concerns were raised regarding the Minimum Revenue Provision Policy calculation and the financial implication.
- Received an explanatory note on Minimum Revenue Provision advising that where the Council funds Capital expenditure with debt, it must put aside resources to pay that debt

in later years. The amount charged to the revenue budget for the repayment of debt was known as the Minimum Revenue Provision.

Other Financial Management

- Considered the Annual report on bad debt write-offs which detailed the debts written off in the financial year 2023-24. It was noted that the debt process had been challenging with staff shortages due to unexpected absences and difficulties recruiting. The Committee requested further information be provided in future reports regarding the outstanding debts at the end of the year along with the age profile.

External Audit

Grant Thornton were Kirklees Councils external auditors who were appointed by Public Sector Audit Appointments Ltd (PSAA) (a subsidiary of the Local Government Association) who manage the appointment of external auditors for the vast majority of English Local Authorities.

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 findings of the value for money review.

The Committee has:

- Received the External Auditors Recommendation Report which advised on progress against the recommendation made by the External Auditors, Grant Thornton, following their work in 2021/22 and 2022/23. It was noted that many recommendations had made progress with some completed. The Committee felt they needed to be assured that the process was working, and requested further details on how the process was working in practice for items one, two and three in the report around savings.
- Received the External Audit Findings Report 2023/24. Grant Thornton's work was complete. It was noted that the Auditors had not identified any adjustments impacting on the Council's usable reserves. Misstatements and audit adjustments were presented in the report.
- Received the Auditors Annual Report 2023/24. 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 value for money commentary on arrangements, reported that a significant weakness had been identified in the 2022-23 report in financial sustainability, and although the council had taken action, in the auditor's view, the weakness still remained.
- Assurances were sought from the External Auditors in relation to 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 that the audit cycle for 2024/25 was underway with good dialogue taking place with Finance Officers. A draft Audit Plan was to be submitted to the first meeting of the 2025/26 municipal year.
- Received a report on Informing the Audit Risk Assessment for Kirklees Council, which asked Council Officers to complete a schedule of questions from Grant Thornton. The Committee suggested that future reports included planning in the 'Fraud and Corruption' section as a high-risk post, along with adding comments around Senior Officers in the 'Related party's section'.

Internal Control

The Council has delegated to the Committee authority to approve the Annual Governance Statement. 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 draft and completed Annual Governance Statement 2023/24, 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', and the actions and controls the Council were taking to address these were contained within a recommended action plan. Discussions took place around the governance of the Council regarding the number of Portfolio Holders at that time, in particular the Portfolio Holder post for Finance being vacant, along with the control environment of the Council not being as robust as in previous years due to the recruitment of Senior Management.
- Noted information relating to the internal audit work which took place in Quarter 1 to 3 of 2024/25, which included the number of audits completed and the assurance relating to these audits. The Committee discussed topics such as district heating and culture across the council in response to the financial challenges that the Council faced and maximising income, along with seeking further assurances from Officers on Housing Tenancy Allocations.
- The Committee received the Internal Audit Plan for Quarter's 3 and 4 of 2024/25 having previously approved the Plan for Q1 and Q2. Each year it was necessary to identify how internal audit resources were to be deployed. It was considered good practice to determine an audit place for half a year, based on risk assessment. The plan proposed, reflected comments made at the meeting of the Committee in April 2024. The committee requested a private update from the IT Service providing assurance on what was being done around Cyber Security.
- Received and noted the Risk Management Annual Report 2024/25. The report explained that Service Directors and Heads of Service were responsible for assessing and monitoring risks and implementing effective and proportionate mitigations to control identified risks, where required. The Corporate Risk Report had been reformatted, to coincide with the beginning of the 2024/25 report cycle. A new Service Risk Register

template had been introduced and was in the process of being rolled out across the Council. The Committee noted that their role in relation to risk, was to consider if the system and approach towards internal control and risk was correct. It was noted that risks were considered at Cabinet and Scrutiny.

- Received and noted amendments to the Risk Management arrangements. The Risk Management Policy replaced the existing Risk Management Statement dated 2018 and detailed the principles that the Council adhered to. The Risk Management Strategy and Guidance provided additional guidance of support to individuals involved in the application of the Risk Management Policy, with the Risk Appetite Statement being a separate document under development.
- Received the Internal Audit Charter, Strategy & Plan for 2025/26. The Institute of Internal Auditors had published standards for internal audit which were adopted into the United Kingdom Public Sector Internal Audit Standards and were further interpreted by CIPFA for the use by Local Authorities. New Global Internal Audit Standards were published in April 2024. These arrangements took effect for UK public bodies from 1st April 2025. The new standards applied to governance of the internal audit function, to the Audit Committee specifically, and the internal audit's relationship with management of the Organisation. Concerns were raised from the Committee around planning and resourcing in the Internal Audit team, specifically around recruitment of roles.
- The Committee acknowledged that there had been no Regulation of Investigatory Powers Act activity during the period of 2023/24.

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 gave assurance to the Committee that the Council was compliant with the core duties in the Civil Contingencies Act. The Committee discussed the proportionate approach to the risks and threats faced by the Council, as well as areas of weakness within Emergency Planning. During discussion of this item, it was noted that there was a dynamic risk assessment process in place that monitored national best practice and made changes through dynamic risk assessments in preparation for the unknown, along with a positive outcome for educational visits undertaken by the team.
- Received a report providing an update on the Information Governance service and offer, which outlined key events and activities across the year. Members acknowledged the increased number of Freedom of Information requests and felt this was due to decision making information not being readily available.
- Received the Annual Corporate Health and Safety Report 2023/24 which provided an overview of the review and performance monitoring activity of the Council's Health and Safety Risk Management System and Policies undertaken by the Corporate Safety Team

over the past 12 months. The purpose of the report was to ensure that the organisation had clearly set out its commitments to manage health and safety matters. The Committee discussed concerns relating to the risk matrix for Homes and Neighbourhoods being red. It was noted that work was being carried out with the service to improve health and safety performance, but it did not mean that health and safety for employees or residents was poor.

- Considered the interim and annual reports on Corporate Customer Standards 2023/24, which provided examples of complaints. Discussions took place regarding the Local Government Ombudsman's proposed new complaints code that was expected to be introduced in April 2026. Members suggested that a pyramid of first level complaints be provided at service level, along with the recording of percentages of those complaints that had transpired into second or third level complaints. Members also felt that a Committee of the Council should have oversight of all complaints and procedures.

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 a report to seek approval from Council to appoint a second independent member of the Corporate Governance and Audit Committee along with the term of engagement. A second independent member would bring greater resilience to the arrangements and enable the committee to benefit from a wider skill and experience base. The Committee agreed that both the second independent member and the current member should be appointed on a four-year basis, with the business sector/non-governmental organisations to be engaged with in recruitment.
- Received the Councillor and Officer Protocol following a project to look at the Protocol which involved both Members and Officers. It was noted that the wording of Councillors being friends or a relation to Officers was to be updated.
- Received reports which set out a provisional and final schedule of Council meeting dates for the 2025/26 municipal year. The provisional report highlighted that there were no planned Council meetings between February 2025 and July 2025 apart from the meetings to solely consider the Budget and Annual Council. Two further reports were considered, one to add a Council meeting date for April 2025 and a revised schedule, which saw the budget meeting reverted to February and an ordinary Council meeting to be held in March 26, in advance of the pre-election period.
- 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 updated report of Corporate Code of Governance which provided clarification around how Kirklees measured its performance and demonstrated compliance in line with the code. The Committee suggested that the Corporate Code of Governance be included in Councillors induction.

- Received proposed amendments to Contract Procedure Rules advising that the proposed changes were due to new procurement legislation which would be effective from 24 February 2025 and would address some inconsistencies in terminology and definitions. The Committee requested an example of a life cycle and process of a contract.
- Received proposed amendments to Financial Procedure Rules advising that the proposed changes related to titles and definitions. The Committee fed back to Officers that ward Councillors were not always consulted on Cabinet decisions and project changes as they should be.
- Received proposed amendments to the Council's Constitution which proposed changes in relation to different parts of the Constitution. A constitution working group had been set up to review the Constitution and proposed amendments which included Officers and Members. The Committee commented and made recommendations to updates relating to attendance of the West Yorkshire Mayor at Council, the wording of motions, gifts to Officers, answers to questions at meetings of Council and the Corporate Governance and Audit Terms of Reference.
- Received the Proposal for the Review of Procurement Practices in accordance with the Council Motion resolved on 13th November 2024, which requested a review of procurement practices where the motion requested that the Council ensured that goods and consumables sourced from companies directly or indirectly involved in the Gaza conflict were not used. Confirmation was sought that procurement practice referred to Israeli companies in occupied Palestinian territories.
- Considered exempt information from the Emergency Duty Services (Adults) Follow Up, which provided an update on the recommendations made by internal audit at their meeting on the 10th May 2024, where the Committee were not content with the progress made in relation to one area of operation.
- Received a report on District Heating. At its meeting on 26th July 24, the Committee considered the first Quarterly report of Internal Audit 2024/25 and decided that they were not content with the matters identified within the audit report that related to District Heating. The Committee requested that management from the service attended a future meeting to discuss progress. The 2024/25 Audit followed a previous Internal Audit Review of District Heating Schemes which were undertaken in October 2019 and highlighted significant weaknesses. During discussion, the Committee raised concerns around residents underpaying for energy which had resulted in the Housing Revenue Account supporting the failure to recover sufficient income. The Committee subsequently received an update on District Heating which reflected the findings of the internal audit in June 2024. An internal project group had been formed to create an action plan to address each area of concern and maintain oversight at a senior level. The Committee requested further information on pricing structures, the legal position of the Housing Revenue Account, full details of actions against each area identified in the internal audit, and an update on arrangements for the management of the operational and financial aspects of the District Heating.
- Received a report on Housing Tenancy Allocation Audit which noted four areas of Limited Assurance opinion. The Committee noted that several of these areas would be addressed when the new computer system 'CX' was implemented which was planned for

Autumn 2025. The Committee was invited to view the new CX system when implemented. The Committee also requested a follow up report on the improvements made due to the Audit.

- Received a report on Cyber Security assurance, which provided information about the Council's existing cyber controls and processes in line with UK Government Standards. The Committee requested a second report which addressed practical information to be considered at an informal meeting

Matters identified during consideration of items at the meetings were:

- Follow up and receive additional information on the Emergency Duty Services (Adults)
- Follow up and receive additional information on District Heating
- Follow up and receive additional information on how the process was working in practice for items 1, 2 & 3 in the External Auditors Recommendations Report
- Follow up and receive additional information on Cyber Security
- Follow up and receive additional information on Housing Tennant Allocation
- Lead Members to be asked to consider a meeting of Council between February and July 2025.
- 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 which supports 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.

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.

CIPFA's Position Statement

CIPFA expects all local government bodies to make their best efforts to adopt the principles in their position statement, aiming for effective Audit Committee arrangements to meet their statutory responsibilities for governance and internal control arrangements, as well as financial management, financial reporting and internal audit.

In ensuring all principles were adopted, the Committee carried out a self-evaluation which assessed how closely the Committee met the position statement expectations which is good practice. This can be found at Appendix B.

Looking Forward

I am pleased to Chair the Committee for the second year running.

The Committee will continue to receive regular reports and provide a high level of robust challenge to the corporate governance and audit practice and procedures across the authority. We will ensure that the Council's arrangements are up to date and fit for purpose, communicated, embedded and routinely complied with.

Reflecting on our performance we will seek to be more involved in the setting of the agenda and continue to delve more deeply into areas of concern. With the support of members including our independent members, the committee will ensure we challenge where needed and add value to the work undertaken by Officers and our internal and external auditors strengthening our governance and ensuring issues identified are addressed promptly.

Councillor John Taylor