

Pecyn Dogfen Cyhoeddus



At: Cadeirydd ac Aelodau Cyngor Sir

Dyddiad: Dydd Mercher, 6 Mai 2015

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Annwyl Gyngorydd

Cyfeiriaf at y rhaglen ar gyfer cyfarfod y **CYNGOR SIR** sydd i'w gynnal am **10.00 am, DYDD MAWRTH, 12 MAI 2015 yn SIAMBR Y CYNGOR, NEUADD Y SIR, RHUTHUN LL15 1YN** ac ryw'n amgáu'r adroddiad(au) canlynol.

Rhif Eitem Agenda

11 **ADRODDIAD BLYNYDDOL Y PWYLLGOR LLYWODRAETHU CORFFORAETHOL** (Tudalennau 3 - 10)

I ystyried adroddiad gan y Pennaeth Gwasanaethau Cyfreithiol, Democrataidd ac Adnoddau Dynol (copi ynghlwm) i'r Cyngor ystyried Adroddiad Blynyddol y Pwyllgor Llywodraethu Corfforaethol.

Yn gywir

G Williams
Pennaeth Gwasanaethau Cyfreithio a Democrataidd

AELODAETH

Cynghorwyr

Ian Armstrong
Raymond Bartley
Brian Blakeley
Joan Butterfield
Jeanette Chamberlain-Jones
William Cowie
Ann Davies
James Davies
Meirick Davies
Richard Davies

Gwyneth Kensler
Geraint Lloyd-Williams
Jason McLellan
Barry Mellor
Win Mullen-James
Bob Murray
Peter Owen
Dewi Owens
Merfyn Parry
Paul Penlington

Stuart Davies
Peter Duffy
Peter Arnold Evans
Hugh Evans
Bobby Feeley
Carys Guy
Huw Hilditch-Roberts
Martyn Holland
Colin Hughes
Rhys Hughes
Hugh Irving
Alice Jones
Huw Jones
Pat Jones

Pete Prendergast
Arwel Roberts
Gareth Sandilands
David Simmons
Barbara Smith
David Smith
Bill Tasker
Julian Thompson-Hill
Joe Welch
Cefyn Williams
Cheryl Williams
Eryl Williams
Huw Williams

COPIAU I'R:

Holl Gynghorwyr er gwybodaeth
Y Wasg a'r Llyfrgelloedd
Cynghorau Tref a Chymuned

Corporate Governance Annual Report 2014/2015

Introduction

This is the first annual report detailing the work of the Corporate Governance Committee during this council. As the committee has primarily, although not exclusively, an audit and governance role, the work of the committee is not included in the Annual reports of the other scrutiny committees. As such, and following a self-assessment of the Committees work last year, it was felt appropriate that a separate report be presented to Full Council. The Chair of Corporate Governance has previously provided a verbal report to the Committee, giving an overview of the detailed work the committee has undertaken. Although an annual report, this document will touch on, and give details of, a number of subjects and issues which have featured during the whole time of this particular council and which have been scrutinized by the Corporate Governance Committee.

The Role of the Corporate Governance Committee

The primary role of the Corporate Governance Committee is to ensure that Denbighshire's governance framework is robust and fit for purpose. The Terms of Reference of the Committee are contained in the Council's Constitution, <https://www.denbighshire.gov.uk/en/your-council/about-the-council/council-constitution-dec-2014-en.pdf>. This report does not seek to merely repeat these terms, but to outline how the Committee has undertaken its roles and responsibilities.

The "headline" areas of work the Committee oversees are as follows

- An audit role in considering the outcomes of internal audit reviews and issues raised in its reports, considering the findings and recommendations of external audits, such as those from the Wales Audit Office, (WAO) the Care and Social Services Inspectorate Wales and other outside regulatory bodies. To consider the internal audit strategy.
- Risk Management. Ensuring that Risk Management systems are in place to identify and manage risk and to seek assurance that risks are being managed effectively.
- Financial Management. To agree the budget setting process and to ensure full member engagement within that process. To consider and approve the Annual Statement of Accounts and ensure accounting policies and practice have been adhered to. To oversee the Treasury Management Strategy on investment and borrowing, during a challenging economic climate.
- To review and monitor policy on areas such as fraud, corruption and whistleblowing.

- To deal with the important issues of Information Management, Freedom of Information requests and Data Protection. To ensure that Denbighshire is fully compliant with the legal requirements and responsibilities it has in this area.
- Monitor and review the operation of the Councils Constitution.
- Monitor and update the Governance Improvement Plan
- To review complaints and complaint policy and consider Customer feedback.

In addition the committee has dealt with a number of issues arising from the course of events which will be referred to later in this report.

The Committee has worked closely with outside regulatory bodies, particularly the WAO, with whom the Committee and the Council has a good working relationship

The report will now review the highlights of the Committee's work over the previous 12 months.

April 2014

The Committee considered the proposals for further member engagement with the Budget setting process. This is an extremely important process which the Committee oversees. In earlier years there was a feeling from elected members that the previous budget setting process was not as transparent or inclusive as it could be. Members felt that they needed to be far more involved in working through the outcomes of budgetary decisions. Coupled with the unprecedented and huge cuts to local government funding there was clearly a need for a far more robust, accountable and member led process. As such a number of Budget workshops were timetabled throughout the year. Attendance at these workshops was on the whole good. The Corporate Governance Committee has overseen the implementation of this process and monitored it throughout the financial year. The Committee will continue to scrutinise the whole budget setting process.

The Committee oversaw the transfer of Internal Audit Service (IAS) to the Business Improvement and Modernisation Service. This meant that a new Internal Audit Charter had to be approved by the Committee. The Internal Audit Service provides assurance and advice to all levels of management and Members on the quality of operations within the Council. It focuses on governance, risk management, performance, efficiency and operational and financial control, all of which are essential to the achievement of the Corporate Priorities. It also carries out projects to ensure that the Council is on target to deliver its Corporate Priorities and specific projects to improve service efficiency and modernisation. The Committee also considered the Internal Audit (IA) Strategy report and the IA progress report.

The Committee also considered a report on the role of Elected Members appointed to represent the Council on outside bodies. This was particularly interesting in light of the earlier failure of Clwyd Leisure Ltd and the fact that the Head of IA was also undertaking a piece of work on so-called Arm's Length organisations, particularly those which receive financial assistance from the Council. The Committee felt that this report would need to inform both the Arm's Length organisations report and the wider report on Clwyd Leisure.

May 2014

The Committee considered a report on findings by the Senior Information Risk Officer on breaches of Data Protection by the Council and complaints made in relation to freedom of information requests. This received some media attention, although no serious breach had occurred. There was an issue over wrongly addressed correspondence not going to the intended recipients and the consequential harm to that person and the reputational damage to the Council.

The Committee oversaw a new approach to information management, including the appointment of a Corporate Information Manager and the review of key policies, particularly relating to Data Protection and Access to Information. Following the reviews, the Corporate Information Manager (CIM) had published a strategic approach to information management in Denbighshire and would report on progress to the Committee on a regular basis. In addition a Senior Information Risk Officer (SIRO) was appointed to ensure that information held by the Council was managed safely, effectively and in accordance with the legislation. The CIM now makes regular reports to the Committee on this important area. It is a subject that as an authority we need to monitor closely due to the reputational risk and financial penalties that can be incurred.

The Head of IA presented the Internal Audit Annual Report and the Internal Audit Annual Assurance Plan.

The Committee considered a report by WAO on a Procurement Review of School Maintenance Work.

July 2014

The Committee was presented with the Annual Draft Statement of Accounts (SA). The Audited Statement of Accounts are presented to the Committee at the end of September and must be approved by the 30th September, however the Draft SA gives an early indication of the Council's financial position and allows the Committee to raise any issues in relation to the strict procedural requirements, indeed members received assurance that the accounts had been produced in compliance with the relevant standards and that the process underpinning the production of the accounts was robust.

Another important aspect of the Committee's work was undertaken, in the review of WAO Improvement Report. This is an annual report and assessment of the Council's prospects for improvement. WAO found that Denbighshire had made good progress in delivering improvements in all its priority objectives, but further improvements were required in key areas. It found that Denbighshire made good progress in delivering improvements in all its priority objectives for 2012-13 but further improvements are required in a few key areas. The Council's service challenge reviews and other measures to self-evaluate its performance are robust. The Council's planning for improvement and its arrangements to support improvement are good. The Council is likely to make arrangements to secure continuous improvement for 2014-15. Two areas of concern were addressing weaknesses in HR, and the Council needs to ensure the roles and responsibilities are clear to achieve its affordable housing objectives. The Committee was assured in that a Task and Finish Group on affordable housing was already in place, and an action plan in relation to the HR issues had been earlier put in place.

The Committee also considered the Corporate Risk Register. Corporate risk management is a vital part of the Committees remit. The Head of IA reports on the effectiveness of the internal control procedures in place to mitigate risk across the authority, ensuring the principles of managing risk are consistently adopted. The Risk Register is reviewed twice annually. Areas identified to be placed on the Corporate Risk Register have included the impact of welfare reforms and the risks identified in the work on Arm's Length Organisations.

The Governance Improvement Plan was also approved by the Committee.

The Committee had previously had concerns about an apparent lack of progress in earlier agreed actions to improve performance at Blessed Edward Jones School in Rhyl. A report was presented to the committee which showed some improvement, but the main concern was on developing the school's financial recovery plan, as it was running a deficit. A further report was asked to be prepared for September's Committee, where there was to be an expectation of some improvement in this area.

September 2014

The Head Teacher and Business and Finance Manager of Blessed Edward Jones School both attended Committee and gave assurances that the identified improvement plan was being implemented. Robust arrangements had been put in place for the running of the Governing Body, including more frequent meetings of the separate Governors' Finance committee.

A huge concern of the Committee this year has been the slow progress in implementing an action plan in the Procurement of Construction Services following an adverse report in October 2013. A number of issues have arisen, in particular, there was no procurement strategy in place; framework agreements had been delayed by several months of the agreed implementation date; e-sourcing roll-out was delayed by a year of the agreed implementation

date; and revised contract procedure rules (CPRs) had not been agreed and would be delayed by a year of the agreed implementation date. This had affected the implementation of several other improvement actions.

This has been an ongoing concern all year. At present the service has been placed with the Head of Communication, Marketing and Leisure for a complete overhaul. A verbal report is to be presented to the Committee in May 2015.

The first report on Arm's Length Companies was considered. This was the first phase in developing a more strategic policy to monitor governance arrangements with such bodies in the future. The framework could also be implemented in dealing with other third parties in any future arrangement regarding the delivery of services. The Committee felt that this approach was needed particularly where there are financial agreements in place with such bodies, and in light of the failure of some organisations such as Clwyd Leisure. The policy is to be implemented in July 2015.

The Annual Treasury Management report was presented and the Committee was content that the policy on investment complied with all the procedural requirements.

A report was presented on Strategic Human Resources, an area earlier identified as having low assurance, was presented showing much improvement and this was noted.

29th September 2014

The Statement of Accounts was formerly approved. The Committee expressed its satisfaction that a high level of assurance had been provided in terms of the financial accounting process and compliance. WAO explained technical issues it raised but overall there had been no other significant issues arising from the audit, financial reporting and draft financial statements had been prepared to a high standard and no material weaknesses had been identified in internal controls.

The Governance Improvement Plan was also considered. Improvement areas had been included in the plan which provided proposed actions to address weaknesses, the officers responsible for the actions and timescales. The Committee had received separate update reports which included Strategic HR, Arms-length Organisations, and Strategic Procurement.

November 2014

The budget process was again discussed. The Chair raised concerns over cuts to the Welfare Rights Team, and if the budget workshop in question had provided all the available options arising from the service review.

There was a further review of the Corporate Risk Register.

The Committee reviewed financial arrangements for care leavers and expressed some concern over a lack of action on issues relating to payments to Care Leavers. Of 14 actions only 5 had been completed, and this seemed to have arisen as a result of there being a lack of communication between Revenues & Benefits and Social Services. It was requested that both Heads of Department meet soon and report back to Committee in December.

Following legislative changes the Committee reviewed an updated policy on fraud, corruption and bribery. The Committee was content that the policy was a clear statement of the Council's commitment to taking robust enforcement action where illegal or corrupt activity was detected amongst staff or members.

There was feedback on the complaints policy and a review of Your Voice Annual report.

There was a debate as to the Committee's Terms of Reference as to whether Complaints, whistleblowing policies, indemnities and Information policies could be transferred to the Standards Committee. The Chair had recently met the Chair of Standards and had discussed this. There were a variety of views and these were to be fed back in to the Constitution working group.

The Head of IA gave an update on the Governance Improvement Plan.

December 2015

The Heads of Revenue & Benefits and Service manager for Looked After Children attended Committee to report on the payments to care leavers issue, and although some progress was made, and reasons for delays were given, there was still disappointment at the lack of progress. A further report was to be presented in March 2015.

WAO offered a favorable report on Denbighshire's financial planning.

January 2015

The Care and Social Services Inspectorate Wales (CSSIW) report on Denbighshire Social Services was presented to the Committee. Mr. Hugh Morgan, Area Manager for CSSIW presented the report. Strengths identified included innovative models of practice and integrated partnership development, a robust scrutiny particularly through service challenges and listening to views of people underpinning the modernisation process and a strong commitment and forward planning in relation to Welsh language.

There was robust questioning on issues such as changes to the law on safeguarding, challenges on the educational outcomes of care leavers, engaging with care leavers and young adults to more fully understand their needs.

The Committee was satisfied that Internal Audit would be undertaking work on a wide ranging report on Corporate Safeguarding procedure to be presented to the Committee.

The Chair confirmed that it would be important to monitor the recommendations, particularly areas of performance around health and education of looked after children. The Director of Social Services explained that the actions identified would be monitored within the Business Plan, the Service Challenge process and in addition would also feature in the DSS Annual Report which would be presented to the relevant Scrutiny Committee and Council.

The Budget process was discussed so far as it would apply to planning for the 2016/17 budget.

There were further reviews on Treasury Management and Procurement.

The Chair expressed real concern over the time delay in the completion of the review of the failure of Clwyd Leisure but this was to be presented at the next committee.

March 2015

A comprehensive review of the creation, history, management, funding, monitoring and demise of Clwyd Leisure Ltd (CLL) was presented. The report was also to be forward looking and learn the lessons of what had occurred historically. There were huge concerns about the inception of CLL, including the fact it took 3 years from when CLL started trading to agree and sign the legal documentation, during which time it was receiving a substantial subsidy. Concerns were expressed at the inability of the Scrutiny regime of the time to deal with identified problems.

The Committee endorsed a request by the Chair for the submission of a report to the May 2015 meeting of the Committee to include the reinforcement of the role of Elected Members on the Boards of arms-length Companies and the inclusion of the work undertaken by IA, in respect of arms-length Companies, including the framework to be implemented in July 2015, with an update of the pending implementation of the agreed recommendations and an update on the role of Members on the respective Boards of arms-length Companies.

The Wales Audit Office Representative introduced the report '2015 Audit Plan – Denbighshire County Council', Appendix 1, produced by the Wales Audit Office (WAO). The report set out the planned programme of work for both the WAO's financial audit performance audit programme and included matters such as the fee for the work, details in respect of the audit team and the timetable for the work. The external auditors were required to prepare and present the report in order to discharge their requirements under auditing standards and proper audit practices.

There were detailed discussions on the Welsh Government White Paper on reforms to Local Government. A detailed paper had been prepared for discussion. The issues were very wide ranging and a number of views were expressed on many of the recommendations. These were to be fed in to a response to the paper.

There was extreme concern over no progress on the issue of payments to care leavers and it has been requested that the respective Heads of Department attend the next committee and explain why.

Summary

It has been an extremely busy year for the Corporate Governance Committee. The Committee has dealt with its ongoing role of Internal audit, dealing with a number of outside regulatory bodies, dealing with the ongoing and ever developing Corporate Improvement plan, monitoring risk management, Treasury management and policies on information management fraud and complaints. In addition it has dealt with events as and when they occur, often having to deal with difficult issues which can impact on the reputation and finances of the Council and, more importantly our residents.

It has undertaken the important task of overseeing member engagement with the Budget process, which is still very much an ongoing process. The Committee needs to be ever vigilant in these extremely challenging economic times that the processes which ultimately feed in to decisions which affect our residents and the services we provide are open and transparent, and if they are not they should be challenged.

The Chair of Corporate Governance would like to thank the members, Councillors Joan Butterfield, Peter Duffy, Martyn Holland, Stuart Davies and Gwyneth Kensler and the lay member Paul Whitham. Every one of the Committee members has worked very hard throughout the year and each one has asked good, valid and probing questions, feeding in to the debate and outcomes on the wide range of issues we have examined. The Chair would also like to thank Ivan Butler, Gary Williams, Paul McGrady, Richard Weigh and all of the officers who have contributed to the work of the committee.

Councillor Jason McLellan
Chair of Corporate Governance Committee
April 2015