

CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1b, County Hall, Ruthin on Wednesday, 11 July 2012 at 9.30 am.

PRESENT

Councillors Martyn Holland, Gwyneth Kensler, Jason McLellan (Chair) and David Simmons and Mr P. Whitham (Lay Member).
Councillors C. Hughes and J. Thompson-Hill attended as Observers.

ALSO PRESENT

Head of Legal and Democratic Services (GW), Head of Internal Audit Services (IB), Business Transformation and ICT Manager (CW), Corporate Improvement Manager (TW), Audit Manager (BS), Wales Audit Office Representative (AV & GB) and Committee Administrator (CIW).

1 APPOINTMENT OF CHAIR

***RESOLVED** – that Councillor J.M. McLellan be appointed Chair of the Corporate Governance Committee for the ensuing year.*

2 APPOINTMENT OF VICE CHAIR

***RESOLVED** – that Councillor G.M. Kensler be appointed Vice Chair of the Corporate Governance Committee for the ensuing year.*

3 APOLOGIES

Apologies for absence were received from Councillors Raymond Bartley and Stuart Davies

4 DECLARATION OF INTERESTS

***RESOLVED** – that no Members declared any personal or prejudicial interests in any business identified to be considered at this meeting.*

5 URGENT MATTERS

No items were raised which in the opinion of the Chair, should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act, 1972.

6 MINUTES

The Minutes of a meeting of the Corporate Governance Committee held on Wednesday, 28th March, 2012 were submitted. It was explained that the membership of the Committee had now changed and none of the Members of the Committee present on the 28th March, 2012 were present at this meeting.

RESOLVED – that Minutes be received.

7 WAO REGULATORY PROGRAMME FOR PERFORMANCE AUDIT 2012-13

A report by the Corporate Improvement Team Manager, on the Regulatory Programme for Performance Audit 2012/13 for the Wales Audit Office (WAO) had been circulated with the papers for the meeting.

The report provided details of the performance audit work to be carried out at Denbighshire by the WAO during 2012-13. The regulatory programme outlined work to be delivered by and on behalf of the Auditor General under the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999 and Parts 2 and 3A of the Public Audit (Wales) Act 2004. It summarised the planned activity for 2012-13, roles and responsibilities of relevant WAO staff and fees for the Auditor General's performance audit work.

The Draft Regulatory Programme had been discussed with relevant officers, including the Head of Business Planning & Performance and the Corporate Improvement Team Manager, prior to approval by the Chief Executive. The outputs from performance audit work included reports from regulatory bodies, such as the WAO, and "the risk of significantly negative reports from external regulators" had been identified as a risk on the Council's Corporate Risk Register. The Corporate Performance Management Framework being the main control in place to manage the risk, and the following actions had been identified as being required to further reduce the residual risk:-

- Develop a more formal framework for co-ordinating self-assessments to support regulatory activities.
- Implement new approach to target setting, as agreed by SLT, for the 2012-13 Service Plans.
- Deliver performance management training for new Members, including target setting.

The WAO Representative (GB) introduced the report and provided background information pertaining to the Performance Audit and Financial aspects of the work undertaken WAO in respect of Denbighshire. He outlined the key areas to note which included:-

- Provision of Reassurance
- Suggestions for Areas of Improvement
- Identifying Good Practice
- Requirements under the Welsh Government Measures

A detailed summary of the Regulatory Programme for Performance Audit 2012-13 was provided and included the following main areas:-

- Performance audit work at Denbighshire, under the Local Government (Wales) Measure 2009.
- The Improvement Assessment, examining the Corporate Plan.

- Other work the Audit General uses to inform his performance audit work at the Council.
- The financial audit work of the Appointed Auditor.
- The work of relevant regulators.
- The Auditor General's programme of local performance audit work at individual NHS bodies.
- The Auditor General's programme of value-for-money studies.

Proposals for this year's local work had been set out in Exhibit 1 of the report and particular attention had been invited to issues relating to Collaboration, Homelessness and Review of arrangements by the Council to deliver services that were efficient and well-managed.

A summary of the following Appendices was provided by the WAO Representative (GB)

- Appendix 1 - Wales Audit Office performance work planned for 2012/13.
- Appendix 2 - Roles and Responsibilities.
- Appendix 3 - Audit General's performance audit team.
- Appendix 4 - Fees.
- Appendix 5 - Audit General's programme of value-for-money studies.

The following issues were raised by Members of the committee and responses provided:-

- With regard to Appendix 1, it was explained that ideally that the delivery of the annual work programme should be completed by the 31st March. However, certain aspects were governed by outside influences where other areas were statutory governed.
- The WAO were currently not aware of any planned Estyn Inspections.
- Reference was made to the WAO's responsibility to audit of the Statutory Statement of Accounts. It was explained that it would be important that the Corporate Governance Committee were fully aware of the whole package of work present by the WAO.
- A report in respect of the work undertaken by the WAO for the Auditor General could be presented to the Corporate Governance Committee for information purposes. It was confirmed that certain aspects of the work would be a statutory programme of work which would feature in the forward work programme.
- It was explained that the work undertaken by the WAO provided both the Authority and the tax payer with assurances in respect of performance and financial management arrangements.
- It had been reported in January, 2012 that progress in respect of the Rhyl Going Forward project would be examined in September, 2012.
- In reply to a question on Improvement Studies with regard to the effectiveness of scrutiny, it was explained that the format to be utilised would be adopted by all Authorities in Wales.
- Details in respect of examining collaborative working with outside bodies, particular reference being made to Betsi Cadwaladr, were outline with regard to the work to be scoped.

Following further discussion, it was:-

RESOLVED – *that the Corporate Governance Committee receives the report and notes the Regulatory Programme, attached at Appendix I.*

8 WAO TECHNOLOGY REVIEW FEEDBACK

A report by the Corporate Improvement Team Manager, which presented feedback from the Wales Audit Office following a technology review at Denbighshire County Council, had been circulated with the papers for the meeting.

The Corporate Improvement Team Manager introduced the report which provided information regarding the Technology Review Feedback. The WAO had concluded that: “The Council’s arrangements for developing, using and supporting technology were likely to support continuous improvement once the Council further strengthens its ICT governance arrangements and successfully completes Phase 1 of its ICT Strategy”. Details of the WAO’s findings, conclusions, and proposals for improvement had been outlined in the Appendix to the report.

The Corporate Risk Register included “the risk that strategic ICT does not enable improvement and support change”. The identified mitigating actions to reduce the residual level of risk, at the last review point, had been the delivery of Phase I of the ICT Strategy, now complete, and to agree and deliver Phase II of the ICT Strategy.

The Wales Audit Office Representative (GB) explained that this was the style of feedback report which would be utilised in future and it aimed to set out the WAO Feedback Review as succinctly as possible. He referred to the high Level Questions and Findings which outlined the proposals for improvement. However, it was confirmed that the WAO were generally satisfied with the findings and that there had been many positives.

In response to a question from Mr P. Whitham, regarding the Delivery of Phase 1 of the ICT Strategy having been identified as a mitigating action to reduce the residual level of risk and to agree Phase 2 of the ICT Strategy, the Business Transformation and ICT Manager explained that many of the actions pertaining to Phase 1 were now in place and operating. Phase 2 would relate to business transformation, which aligned with Corporate Priorities around modernisation, and it was anticipated that by September the priorities would be clear and this would provide guidance for the future direction of IT. Councillor M.L. Holland stressed the importance of ensuring that the appropriate packages were procured to ensure value for money and to achieve maximum all-round value for the Authority.

RESOLVED – *that the Corporate Governance Committee receives the report and notes the findings of the review.*

9 REVIEW OF STRATEGIC RISK MANAGEMENT: CLOSURE REPORT

A report by the Corporate Improvement Team Manager, which on the project closure report for the Strategic Risk Management Review Project, had been circulated at the meeting.

The Corporate Improvement Team Manager introduced the report which provided an assurance to the Committee that there was a robust process for strategic risk management. Performance Scrutiny Committee had indicated that they were satisfied with the process which was operating well and easy to follow.

The report provided information regarding the review of strategic risk management and the subsequent implementation of a new process for coordinating strategic risk management. The Council had undertaken a review of strategic risk management due to concerns about how well embedded the activity was within the organisation. The review proposed a number of changes to the current process which included a new strategic risk management policy and procedure, and moving responsibility for coordinating strategic risk management from Internal Audit Services to the Corporate Improvement Team. Following implementation of these changes, the following benefits had been realised, as detailed on page 5 of the attached Risk Review Closure Report:-

- A modernised, more integrated and effective Risk Management system which would be fit for purpose and simple to understand.
- A clear template had contributed to the reduction in the size of the risk registers, as indicated in Appendix making the registers easier to follow and allowing for savings in printing across the authority.
- A significant reduction in the number of objective traps and issues from 172 to 30, Appendix III. All 35 instances of duplication had been eliminated from the registers. A definition of 'objective traps' was provided for the Committee.
- A proactive and continuous risk aware culture across all parts of the Council, which reduced the possibility of unplanned activity or financial costs and their effect on the Council's reputation, and maintained and improved customer confidence in the Council's ability to deliver on its commitments.
- Clear accountability and reporting procedures in place.
- Services encouraged to take a whole-service approach to their registers, allowing for greater focus, less duplication and fewer issues being reported.
- A dedicated team in the Corporate Improvement Officers that coordinate risk consistently throughout the Council. Staffing details provided at the meeting.
- Resources, including member and officer time, could be used more effectively.
- The relationship between the Corporate Risk Register and the service risk registers had been better defined, aligning more clearly the responsibility for those risks with Director and Cabinet portfolios.
- A system which mirrored that used by Conwy County Borough Council, which made for easier planning where joint services were concerned.

Details of the provision of Member training were provided by the Corporate Improvement Team Manager. A Performance Management Training session would be held on the 23rd July, 2012 which would encompass Risk Management and the Performance Management Framework.

In response to a question from Mr Whitham relating to the Corporate Risk Register, it was explained that risks could be identified at service level as risks across the organisation or a service level risk one service. Some higher level risks might be

identified by the Corporate Executive Team and be considered as principle risks to the Authority.

In response to a suggestion by Councillor M.L. Holland that documentation should be more user friendly in terms the use of plain English, the Corporate Improvement Team Manager agreed with the sentiments of the views expressed and explained that the Appendices to the report had been produced for submission to the Business Transformation Board.

Following further discussion, it was:-

RESOLVED – *that the Corporate Governance Committee receives the report and notes the project closure report, Appendix A.*

10 ANNUAL GOVERNANCE STATEMENT 2011/12

A report by the Head of Internal Audit Services, which presented the annual Governance Statement (AGS) for 2011/12, had been circulated with the papers for the meeting.

The Head of Internal Audit Services introduced the report which had been developed by a team of senior officers. He explained that the Chair and Vice Chair of the Corporate Governance Committee would be invited to join the team

A brief summary of the Annual Governance Statement 2011/12, which was now a statement of Corporate Governance, was provided by the Head of Internal Audit Services and the key areas included:-

- Scope of Responsibility
- The Purpose of the Governance Framework
- Key Elements of Our Governance Framework
- The Six Key Principles of the Code of Corporate Governance
- Review of Effectiveness
- Significant Governance Issues

The Head of Internal Audit Services provided the following responses to issues and questions from Members:-

In respect of timescales and expectancy for addressing matters identified as red, it was explained that in cases of urgent matters where there was a significant risk the expectancy would be to address the issue as a matter of urgency. However, in the case of Information Governance there was no quick fix and there would be varying timescales depending on the issue involved. With regard to projects to scope there would be a project plan which would have relevant timescales. The importance of identifying mitigating actions against risks was highlighted taking into consideration issues such as financial implications, internal and external factors, and although the colour coding was helpful it would be important to look at the context of the risk. It was explained that the AGS formed part of the Council's Annual Statement of Accounts.

In response to a question from Councillor G.M. Kensler, the Head of Legal and Democratic Services outlined the work carried out in examining the policies and procedures with regard to managing information in relation to the Data Protection and Freedom of Information Acts. He referred to the work undertaken to ensure that Members were registered with the Information Commissioner, and the Head of Internal Audit Services confirmed that this service was currently undertaking a review of data protection and freedom of information that included an assessment of staff awareness in these areas.

RESOLVED – *that the Corporate Governance Committee receives the report and recommends adoption of the Annual Governance Statement as part of the Council's Statement of Accounts.*

11 DRAFT INTERNAL AUDIT ANNUAL REPORT 2011/12

A report by the Head of Internal Audit Services, which presented the Head of Internal Audit's Annual Report for 2011/12, had been circulated with the papers for the meeting.

The report presented the Head of Internal Audit's Annual Report for 2011/12 (Appendix 1). The previous Corporate Governance Committee had approved a draft version before the end of 2011/12, with final version requiring the approval of the Corporate Governance Committee.

It was explained that in accordance with the 'Code of Practice for Internal Audit in Local Government in the United Kingdom' (2006), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the annual report should:-

- provide an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
- disclose any qualifications to that opinion, together with the reasons for the qualification;
- present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- draw attention to any issues we judge particularly relevant to the preparation of the annual governance statement; and
- comment on compliance with the standards contained in the Code of Practice and communicate the results of the internal audit quality assurance programme.

The Committee were informed that the Code required an Annual Report to the Audit Committee or its equivalent.

Appendix 1 – Annual Internal Audit Report 2011/12 included the Audit Opinion.

The overall adequacy and effectiveness of the organisation's internal control environment had been defined as the policies, procedures and operations in place and these had been identified in the report.

The Head of Internal Audit Services had based his audit opinion on the Internal Audit work carried out during 2011/12, the opinions formed in each area of review

and the issues raised during our work, as shown in Appendix 1. Using the new assurance ratings from Internal Audit Reports, as shown in the table included in the report, the opinion of the Head of Internal Audit had been that, Denbighshire could have 'medium' assurance in the overall adequacy and effectiveness of its internal control environment, including its arrangements for governance and risk management.

There had been no issues relevant to the Annual Governance Statement and Management's response to issues raised by Internal Audit had been included in the report, together with, details of the Internal Audit Performance Measures. With regard to compliance with the Code of Practice Standards, the Wales Audit Office (WAO) reviewed the service annually, but did not produce a formal report. However, the WAO had raised no issues of concern with the service.

The Head of Internal Audit Services provided a brief update in respect of the one audit report issued which had a red status, which related to St Bridgets School, Denbigh. He explained that work was ongoing and a report was currently being which outlined progress in respect of the Action Plan, he also confirmed this was not a corporate issue and there were no implications for other schools in the Authority.

A breakdown of the delivery of the Internal Audit Strategy 2011/12 had been included in the report, along with assurance scores and number of issues raised for the completed reviews, definitions used to form our audit assurance and the ratings used to assess the risk-levels for issues raised.

In response to a question from the Chair, the Head of Internal Audit Services confirmed that the number of original planned days would differ from the actual days, as the strategy was flexible and reviewed as risks and priorities change.

The Head of Internal Audit Services responded to a question from Councillor M.L. Holland regarding school budgets and the school funding formula review. He explained that work undertaken in Secondary Schools included a review of the financial management of the school generally in order to provide assurances to the Welsh Government. Due to the size of Primary Schools, the financial management of the schools would be looked at as a subject and a sample of the schools would be looked at to examine the practices adopted.

It was explained by the Head of Internal Audit Services that a report on financial balances would be submitted to the Performance Scrutiny Committee in September, 2012. Councillor J. Thompson-Hill outlined the budget provisions for schools and highlighted that there could be disparity between large High Schools and small Primary Schools. He also explained that Denbighshire did not have a formal cap in terms of percentages of school balances.

Following a brief discussion, it was:-

RESOLVED – *that the Corporate Governance Committee approves the Internal Audit Annual Report 2011/12, including the overall Audit Opinion included within it.*

12 INTERNAL AUDIT PROGRESS REPORT

A report by the Head of Internal Audit Services, which provided an update of the Internal Audit Service in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement, had been circulated with the papers for the meeting.

An update on the delivery of the Operational Plan for 2012/13, recent Internal Audit reports issued, management's response to issues raised and Internal Audit's performance, had been provided in the report. The Head of Internal Audit Services provided a summary of the report which included details pertaining to:-

- Delivery of the Internal Audit Strategy 2012/13
- Summary of Recent Internal Audit Reports
- Internal Audit Performance

The Head of Internal Audit Services informed Members of the Committee that in future they would receive copies of all Internal Audit final reports. Appendix 1 provided a breakdown of work undertaken during 2012/13 in comparison to the agreed Internal Audit Strategy. It included assurance scores and number of issues raised for the completed reviews, definitions used to form the audit assurance and the ratings used to assess the risk-levels for issues raised. A summary of Recent Internal Audit Reports, which use colours for assurance ratings, had been included in a table in the report.

The following list of audit reports issued since March, 2012, which included audit opinion, issues raised and comments, had been incorporated in the report:-

- Programme & Project Management - (N/A)
- Community Building Management, Rhyl Town Hall - (Yellow)
- Corporate Risk, Asset Portfolio - (N/A)
- Highways & Infrastructure, Major Projects - (Yellow)
- Financial Systems Assurance Testing (IDEA) 2011-12 - (Green)
- Welsh Government Breakfast Initiative Grant - (Green)
- Financial Services, Phase 2 (Ruthin Services) - (Green)

In response to suggestions from Members it was agreed that Head of Audit Services circulates the Audit Reports identified as yellow, Community Building Management -Rhyl Town Hall and Highways & Infrastructure - Major Projects, together with, Financial Services, Phase 2 (Ruthin Services) (Green). He also confirmed that any of the other Audit Reports which had been issued could be circulated if requested by Members.

An outline of the Internal Audit Performance – Key Measures was provided for the Committee as outlined in the report.

It was explained that most Internal Audit reports identified risks and control weaknesses and these were rated as critical, major or moderate risk. Management had agreed actions to address the risks, including responsibilities and timescales.

All instances would be reported where management failed to respond to follow up work or where, where implementation dates had been exceeded by more than three months. The Committee would decide as to whether any further action should be taken, for example, by calling the relevant people to its next meeting to explain the lack of progress. It was confirmed that there were currently no actions outstanding or exceeding the three-month deadline.

Following a brief discussion, it was:-

RESOLVED – *that the Corporate Governance Committee:-*

(a) receives the report and notes Internal Audit's progress and performance to date in 2012/13

(b) notes the recent Internal Audit reports issued and the responses to the follow up work, and

(c) agreed that the three Audit Reports identified be circulated to Members of the Committee.

13 COMMITTEE FORWARD WORK PROGRAMME

A copy of the Corporate Governance Committee forward work programme had been circulated with the papers for the meeting.

The Committee agreed that:-

- a special meeting of the Corporate Governance Committee be convened on the 26th September, 2012 to receive the Statement of Accounts.
- a report on Homelessness be included in the Committee's Forward Work Programme for the 14th October, 2012.
- after September, 2012 the Financial Statements, Monitoring of the Budgets, be submitted to the Corporate Governance Committee on a quarterly basis.
- the item pertaining to the Governance Action Plan be scheduled in the Committee Work Programme for November, 2012.

The Head of Legal and Democratic Services referred to the report on Regulation of Investigatory Powers Act 2000 (RIPA) scheduled for the November, 2012 meeting of the Committee. The Surveillance Commissioners Office had undertaken an inspection of the Authority in June, 2012 and a report would be submitted to CET in July, 2012. Members agreed that the RIPA report be submitted to the Corporate Governance Committee in September, 2012 and not November, 2012 as scheduled.

In response to a request from Councillor M.L. Holland, the Head of Legal and Democratic Services agreed to liaise with the Member Support and Development Manager with a view to arranging Member training on financial balance sheets, prior to the special meeting of the Committee on the 26th September, 2012. He would also examine the feasibility of arranging a half day training workshop for Members in September, 2012.

At the request of Members, Councillor J. Thompson-Hill provided an outline of the Council's budget setting process and the timescales involved. He referred to the Service Challenge meetings, three scheduled all Member sessions, to be held in the autumn and winter period commencing in October, 2012, which would lead up to the formal budget process to be considered by Cabinet in January and February, 2013.

The Head of Legal and Democratic Services agreed to examine the reason for the 'Your Voice' Annual Report being scheduled for both the September and November, 2012 meetings. He confirmed that the Committee's Terms of Reference had been up dated at the time of review of the Council's Constitution in March, 2012. It was agreed that a copy of the Terms of Reference of the Corporate Governance Committee be provided for Mr G. Bury, Wales Audit Office.

It was agreed that the changes to the Members Training Programme would be circulated to Members. The Head of Legal and Democratic Services suggested that the refresher training session in respect of the code of Conduct should not be cancelled and could be made available to a wider audience.

Following further discussion, it was:-

RESOLVED – *that, subject to the above amendments, the Corporate Governance Committee's Forward Work Programme be approved.*

The meeting concluded at 12.05 p.m.