



To: Members of the Corporate
Governance Committee

Date: 3 July 2012

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Dear Councillor

You are invited to attend a meeting of the **CORPORATE GOVERNANCE COMMITTEE** to be held at **9.30 am** on **WEDNESDAY, 11 JULY 2012** in **CONFERENCE ROOM 1B, COUNTY HALL, RUTHIN.**

Yours sincerely

G Williams
Head of Legal and Democratic Services

AGENDA

PART 1 - THE PRESS AND PUBLIC ARE INVITED TO ATTEND THIS PART OF THE MEETING

1 APPOINTMENT OF CHAIR

To appoint a Chair of the Corporate Governance Committee for the ensuing year.

2 APPOINTMENT OF VICE CHAIR

To appoint a Vice Chair of the Corporate Governance Committee for the ensuing year.

3 APOLOGIES

To receive apologies.

4 DECLARATION OF INTERESTS

Members to declare any personal or prejudicial interests in any business identified to be considered at this meeting.

5 URGENT MATTERS

Notice of items, 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 (Pages 1 - 6)

To receive the minutes of the Corporate Governance Committee meeting held on the 28th March, 2012.

7 WAO REGULATORY PROGRAMME FOR PERFORMANCE AUDIT 2012-13 (Pages 7 - 24)

To consider a report by the Corporate Improvement Team Manager (copy enclosed) on the Regulatory Programme for Performance Audit 2012/13 for the Wales Audit Office.

9.35 a.m. – 10.00 a.m.

8 WAO TECHNOLOGY REVIEW FEEDBACK (Pages 25 - 38)

To consider a report by the Corporate Improvement Team Manager (copy enclosed) which presented feedback from the Wales Audit Office following a technology review at Denbighshire County Council.

10.00 a.m. – 10.25 a.m.

9 REVIEW OF STRATEGIC RISK MANAGEMENT: CLOSURE REPORT (Pages 39 - 52)

To consider a report by the Corporate Improvement Team Manager (copy enclosed) on the project closure report for the Strategic Risk Management Review Project.

10.25 a.m. – 10.50 a.m.

Comfort Break

10 ANNUAL GOVERNANCE STATEMENT 2011/12 (Pages 53 - 72)

To consider a report by the Head of Internal Audit Services (copy enclosed) which presents the Head of Internal Audit's Annual Report for 2011/12.

11.05 a.m. – 11.30 a.m.

11 DRAFT INTERNAL AUDIT ANNUAL REPORT 2011/12 (Pages 73 - 82)

To consider a report by the Head of Internal Audit Services (copy enclosed) which presents the Head of Internal Audit's Annual Report for 2011/12.

11.30 a.m. – 11.45 a.m.

12 INTERNAL AUDIT PROGRESS REPORT (Pages 83 - 92)

To consider a report by the Head of Internal Audit (copy enclosed) which provided an update on the latest progress of the Internal Audit Service in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

11.45 a.m. – 12.05 p.m.

13 COMMITTEE FORWARD WORK PROGRAMME (Pages 93 - 96)

To consider the committee's future work programme for 2012/13 (copy enclosed).

12.05 a.m. – 12.15 p.m.

MEMBERSHIP

Councillors

Raymond Bartley
Stuart Davies
Martyn Holland

Gwyneth Kensler
Jason McLellan
David Simmons

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Agenda Item 6

CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Wynnstay Road, Ruthin on Wednesday, 28 March 2012 at 9.30 am.

PRESENT

Councillors John Bellis (Chair), Jeanette Chamberlain-Jones, Meirick Davies and Barbara Smith (Vice-Chair)

ALSO PRESENT

Head of Legal and Democratic Services (GW), Head of Finance and Assets (PM), Head of Internal Audit Services (IB), Audit Manager (BS), Audit Manager – Wales Audit Office (AV), Financial Audit Engagement Lead – Wales Audit Office (DO), Committee Administrator (SW) and Democratic Services Officer (RH).

1 APOLOGIES

Councillors Glyn Jones and Allan Pennington

2 DECLARATION OF INTERESTS

No interests prejudicial interests were declared

3 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.

4 MINUTES

The Minutes of a meeting of the Corporate Governance Committee held on Wednesday, 8th February, 2012 were submitted.

The resolution for Item 5 – Treasury Management Strategy was discussed and after clarification the Chair asked for the wording to be amended to reflect that the Committee 'received' the report rather than 'receives', to make it clear that a further report was not expected.

Councillor M.L. Davies was unable to be present from the start of the meeting but had relayed comments in anticipation of his absence. Councillor Davies had recalled that a future report had been recommended during the discussion of Item 6 – Regulation of Investigatory Procedures Act, but that this had not been included in the recommendation. The Head of Legal and Democratic Services said that he didn't recall a specific recommendation for a further report, but that an Item could be added to the Forward Work Programme for future consideration.

Following on from a query raised at the previous meeting by Councillor G.A. Jones, the Head of Internal Audit was able to confirm that security doors would unlock automatically in emergency situations.

RESOLVED – that, subject to the Committee’s observations, the Minutes be received and approved as a correct record.

5 ANNUAL FINANCIAL AUDIT OUTLINE

The Head of Finance and Assets introduced a report, circulated prior to the meeting, which delivered the Annual Financial Audit Outline prepared by the Wales Audit Office (WAO).

Mr Anthony Veale, Audit Manager from the WAO, explained that the Annual Financial Audit Outline was a requirement of the Public Audit (Wales) Act 2004 which examines and certifies that the Council’s accounts give a true and fair view of the Council’s financial position, comply with relevant legislative requirements and have been prepared in accordance with proper accounting practices. The approach of the WAO’s audit team was explained and the report gave details of perceived risks, a review of the use of resources and the methods for reporting on progress through the duration of the audit. The key milestones were given as follows:

- Annual Financial Audit Outline (January 2012 - March 2012)
- Audit of Financial Statements (ISA260) Report (June 2012 – September 2012)
- Audit Opinion on the 2011-12 financial statements (January 2012 – September 2012)
- Annual Audit Letter (October 2012 – November 2012)

The proposed fee for the audit work was placed at £165,802 (plus VAT) which would be payable between November 2011 and October 2012, and the total fee for grant work was estimated at being between £90k-100k.

The Chair noted that the estimated fee for grant work was very large and asked how it compared to previous years. Mr Veale responded that the fee was similar to last year but emphasised that the total could only be estimated and was liable to changes. The Chair relayed a question from Councillor M.L. Davies who had asked why the Council had to pay for additional work in handling queries. Mr Derwyn Owen, Financial Audit Engagement Lead from the WAO, explained that the queries arise from the general public and that the investigations can require significant additional work. Mr Owen further stated that that WAO are required to charge the County for additional work that arises out of such queries. Mr Veale stated that if a significant amount of additional work was necessary as a result of a query then this would be cleared with senior officers within Denbighshire County Council first, but that last year such extra work was minimal and the additional fee made up only a very small percentage of the overall fee.

Councillor J. Chamberlain-Jones asked why the cost of the audit was so much and requested a break down of the fees charged. The representatives of the WAO explained that the audit was a statutory requirement that involved a significant

amount of work over a long period of time. Due to the size of the Council and the extent of the work required during the audit Denbighshire's costs were said to be relatively low when compared to other local authorities.

The Head of Finance and Assets informed the Committee that the auditing of grants would account for a significant proportion of the fee charged, but that this was attributable to the level of detail specified by the Welsh Government and that the Council were bound to comply.

RESOLVED – that the Committee receive and note the report detailing the Annual Financial Audit Outline from the Wales Audit Office.

6 INTERNAL AUDIT REPORTS ISSUED

The Head of Internal Audit (HoIA) presented a report, circulated prior to the meeting, which gave a final update for 2011/12 on the reports that the Internal Audit service had issued recently. It was explained that this information would normally form part of the regular progress report, but other progress was being reported in the Internal Audit Annual Report later in the meeting, so this report had been produced separately.

Details were given of a new reporting format based on the risk management process that uses colours to represent assurance rating (High Assurance – Green, Medium Assurance – Yellow, Low Assurance – Amber, No Assurance – Red) rather than the previous system of scoring categories 1-5. Figures were given from recent audits to illustrate the change in the scoring system, which would now concentrate on identifying issues that needed to be escalated.

Members questioned how the new scoring system would work in practice, particularly in regard to how a previously neutral score of '3' would now have to fall within either the Yellow or Amber category. The HoIA said that in such circumstances a decision would have to be made either way as no middle option existed but that the new conditions would give a more practical assessment of service assurance, and anticipated that there would be more instances of Green scoring compared to the high score of '5' under the previous model.

Councillor B.A. Smith observed that the audit of Commissioning and Contracting had flagged three Moderate 'Yellow' risks, but was considered to be 'Green' overall. The HoIA explained that this was a legitimate score if the auditor felt that overall service was being handled well but emphasised that the Internal Audit department had its own quality control mechanisms to ensure a consistent approach to the assurance rating process.

RESOLVED – that the Committee receive the reports recently issued and note the new process for assessing risk assurance.

7 DRAFT INTERNAL AUDIT ANNUAL REPORT 2011/12

The HoIA introduced a draft copy of the Internal Audit Annual Report 2011/12, circulated prior to the meeting, which summarised the audit work undertaken in the

previous 12 months, highlighted issues relevant to the annual governance report, and gave an overall assessment of the effectiveness of the Council's internal control environment. The Chartered Institute of Public Finance and Accounting (CIPFA) required an annual report to be submitted to the Corporate Governance Committee in June 2012, but as the Committee was sitting in its present composition for the final time the report was submitted in draft form prior to the end of the financial year.

The report gave details of the performance of Internal Audit against a number of measures, for which all targets had been met. This included a 58% improvement in time taken to complete projects and a 93% improvement in time taken for services to implement follow-up recommendations from audit reports. Using the new assessment criteria the performance of the Council overall was placed in the Yellow 'Medium Assurance' category.

The Chair asked how the Internal Audit department dealt with negative feedback and was told that any criticism was discussed with the team in order to identify how service can be improved. It was noted that the role of an auditor will naturally draw resistance so a small amount of negativity would not necessarily be an indicator of poor performance.

The Committee also observed that the overall total for 'actual' days spent auditing was lower than the original planned days. It was explained that estimated timeframes had been used when planning and that, during the year, there had been staffing changes and maternity leave. Also, the actual time was not fully up to date at the time of writing the report, as the year had not yet finished. The length of time spent auditing St Brigid's School had been considerably longer than anticipated, but this was said to have been necessary in response to problems encountered, and also presented an example of how original planned days only serve as an estimate of how long an audit will take.

RESOLVED – *that the Committee notes the draft Internal Audit Annual Report 2011/12 prior to submission of the final report to the Corporate Governance Committee in its new form following the local authority election.*

8 INTERNAL AUDIT STRATEGY 2012/13

The HoIA introduced a report, circulated prior to the meeting, which presented the Internal Audit Strategy 2012-13 as required by the Corporate Governance Committee's terms of reference. The strategy set out the number of days allocated for each area of review, gave details of the service's budgetary considerations, and established performance measures for the coming year.

Councillor M.L. Davies asked why contracts to carry out audit work for the Countryside Council for Wales (CCW) and the North Wales Police Authority had been deemed to be at risk. The HoIA explained that these contracts were due to end in 2013 and 2014 respectively, at which point the Council would hopefully be invited to tender for the contracts. The tendering process meant that an extension of the contract could not be guaranteed, and that the Council would have to react to the situations as it was not possible to predict the outcome of a tender. Mr Owen

from the WAO clarified that the creation of a single body to undertake the function of CCW, the Forestry Commission Wales and the Environment Agency Wales was currently only in the consultation stage and had not been finalised.

Councillor B.A. Smith questioned why the Rhyl-based financial systems were being audited by the Internal Audit team if the WAO was already undertaking this function. The HoIA confirmed that the two teams were working together but looking at different aspects of the overall service. For the WAO to take on the work that the Internal Audit team were handling would require a significant amount of additional time, which would necessarily increase the fee payable to the WAO.

RESOLVED – that the Committee notes and supports the Internal Audit Strategy 2012/13.

9 COMMITTEE FORWARD WORK PROGRAMME 2012/13

The Head of Legal and Democratic Services (HLDS) presented the Corporate Governance Committee's Forward Work Programme and gave an update of recent developments.

The Committee were notified that the Code of Conduct training for Members had been made mandatory, with training scheduled for 9th May with a refresher session in October. Those unable to attend the sessions would be given access to electronic training documents to ensure that all Members of the Council are familiar with the Code of Conduct. All candidates for election were to be sent a training schedule and the Welsh Local Government Association would also be producing guidance for Councillors.

Councillor B.A. Smith asked whether the mandatory training would apply to Community and Town Councils and the HLDS responded that the Standards Committee had recommended that the Community and Town Councils receive the proposals, but be able to make a decision on compelling attendance at training themselves.

Mr Owen requested that an external report giving the final Audit Opinion on the 2011-12 Financial Statements, scheduled for the Corporate Governance Committee's meeting on 5th September 2012, be postponed until later that month. The Committee agreed and decided that a special meeting would have to be arranged to consider the report at a future date to be confirmed.

The HLDS gave an update on the guidance for the Local Government (Wales) Measure 2011, which was due to be published in April to be implemented in May, and raised a number of issues with the Committee. The draft guidance that had been received stated that an Audit Committee would need to be established which would take on some of the functions of the present Corporate Governance Committee. The HLDS suggested that, given the cross-over, the Corporate Governance Committee could continue in its present capacity but also sit as the 'Audit Committee' as required. The Audit Committee would also require a lay member, but the opportunity could not be advertised until the Measure is implemented. It was also noted that the Chairs of Scrutiny Committees would be

voted in by the whole of the Council rather than by the Scrutiny Committees themselves, with regard being had to regulations on political balance.

Councillor Smith proposed that a report on the review of the Constitution be added to the Forward Work Programme, and the Committee agreed that the item would be considered in April 2013.

RESOLVED – *that, subject to the above amendments, the Committee approved the Forward Work Programme.*

Report To: Corporate Governance Committee

Date of Meeting: 11 July 2012

Lead Officer: Alan Smith, Head of Business Planning & Performance

Report Author: Tony Ward, Corporate Improvement Team Officer

Title: Wales Audit Office Regulatory Programme for Performance Audit
2012-13

1. What is the report about?

The report presents the Regulatory Programme for Performance Audit 2012-13 for the Wales Audit Office (WAO).

2. What is the reason for making this report?

To provide information regarding the performance audit work that will be carried out at Denbighshire County Council by the WAO during 2012-13.

3. What are the Recommendations?

That Members consider the regulatory programme, attached at Appendix I, and raise any issues or queries with the WAO who will be in attendance to present to programme.

4. Report details.

This regulatory programme outlines 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 summarises: the planned activity for 2012-13; roles and responsibilities of relevant WAO staff; and fees for the Auditor General's performance audit work.

5. How does the decision contribute to the Corporate Priorities?

Much of the performance audit work relates directly to the council's Corporate Priorities and Corporate Plan, both in terms of reflecting on our success in delivering the Corporate Plan 2009-12, and our approach to developing the Corporate Plan 2012-17. For example, the programme includes the annual audit of the council's published improvement plan (i.e. Corporate Plan) and self-assessment of performance (i.e. annual review of performance against our Corporate Plan).

6. What will it cost and how will it affect other services?

The proposed WAO fee for performance audit work in 2012-13 is £120,880 (plus VAT), as detailed in Appendix 4 to the Regulatory Programme.

7. What consultations have been carried out?

The draft regulatory programme was discussed with relevant officers, including the Head of Business Planning & Performance and Corporate Improvement Team Manager, before being approved by the Chief Executive.

8. What risks are there and is there anything we can do to reduce them?

The outputs from performance audit work include reports from regulatory bodies (such as the WAO), and “the risk of a significantly negative report(s) from external regulators” is identified as a risk on our Corporate Risk Register. Our Corporate Performance Management Framework is the main control in place to manage this risk, and the following actions have 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 2012-13 Service Plans.
- Deliver performance management training for new Members (including target setting)

9. Power to make the Decision

This is a paper for information, rather than for decision.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Regulatory Programme for Performance Audit 2012-13

Denbighshire County Council

Issued: June 2012

Document reference: 343A2012

Status of document

This document has been prepared for the internal use of Denbighshire County Council as part of work performed/to be performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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This document was produced by Gwilym Bury and Huw Lloyd Jones under the direction of Alan Morris.

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Regulatory Programme

Performance audit work at Denbighshire County Council

1. This programme outlines 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.
2. The work will be delivered by staff of the Wales Audit Office.
3. [Appendix 1](#) summarises the planned activity for the year. The range of performance audit work that the Auditor General and relevant regulators will carry out will be set out in more detail in a Work Plan and Timetable (WP&T) which will be reviewed every quarter.
4. [Appendices 2 and 3](#) set out the roles and responsibilities of relevant Wales Audit Office staff together with contact details.
5. Fees for the Auditor General's performance audit work are set out in [Appendix 4](#).
6. Where the Auditor General identifies an issue of such importance that he considers a special inspection to be an appropriate response, he will charge an additional fee to conduct such an inspection.

The Improvement Assessment

7. The Auditor General must carry out an annual Improvement Assessment to determine whether the Council is likely to comply with the requirements of Part 1 of the Measure. This involves:
 - a review of the Council's arrangements to secure continuous improvement;
 - improvement studies of areas which may hinder improvement or transformation or give rise to inefficiencies;
 - bespoke pieces of work related to the Council's improvement objectives and arrangements; and
 - audits of the Council's published improvement plans and its self-assessment of performance.
- a) [The Council's arrangements to secure continuous improvement](#)
8. The Auditor General will carry out a full assessment of the Council's arrangements once every four years, unless he has significant concerns that suggest he should review those arrangements more frequently. This year we will not be carrying out a full assessment at the Council, but instead will be following up proposals for improvement set out in our previous assessments. In January 2012, we proposed that the Council should:
 - use its annual review of governance arrangements to provide a more robust self-assessment of their effectiveness; and

- by September 2012 establish how it will support the *Rhyl Going Forward* delivery plan including:
 - confirming the staff and financial resources that will be available to *support delivery*; and
 - arrangements for periodic evaluation of progress.
9. We will also take stock of progress made by the Council on addressing proposals made for improvement reported in other studies completed as part of the 2011-12 improvement assessment.

b) **Improvement studies**

10. In his letter of March 2012, the Auditor General set out his proposals for this year's improvement studies. These are:
- key themes emerging from our audit of authorities' assessments of their performance;
 - effectiveness of scrutiny; and
 - authorities' reviews of governance and preparation of Annual Governance Statements.

c) **Bespoke work**

11. Our proposals for this year's local work are set out in **Exhibit 1**.

Exhibit 1

Name of study	Rationale
Collaboration	Effective collaboration continues to be an important option for the Council in delivering improved services.
Homelessness	Homelessness is an area where the Council faces a range of new challenges including planned welfare reforms by the UK Government.
Review of arrangements by the Council to deliver services that are efficient and well-managed	The Council has identified in its 2012 <i>Transition Document</i> the priority for all services in Denbighshire to be efficient and well-managed in such areas as absence management, staff appraisals, and reducing business travel.

d) **Audits of the 'Improvement Plan' and the 'Assessment of Performance'**

12. The Measure requires the Auditor General to undertake audits of whether the Council has discharged its duties in relation to improvement planning and the publication of improvement information, and has acted in accordance with Welsh Ministers' guidance.
13. Improvement authorities are under a duty to publish an Improvement Plan as soon as practicable after the start of the financial year. The Measure requires the Auditor General to carry out an audit of this plan and to state whether he believes that the Council has discharged its duties and acted in accordance with statutory guidance.
14. Improvement authorities must also undertake an 'Assessment of Performance' and publish improvement information by the end of October each year. The Auditor General is required to carry out an audit of the assessment and publication, and state whether he believes that the Council has discharged its duties and acted in accordance with statutory guidance.

Reporting

15. We will write to the Council to formally report our follow-up review of the Council's arrangements to secure continuous improvement. In that letter we will also report the findings of the audit of the Council's Improvement Plan, and comment on the robustness of the plans that the Council has put in place.
16. We will issue the Council with a report on each Improvement Study. A national summary of each Improvement Study will also be published.
17. We will write to the Council following our audit of the Council's self-assessment to formally report the findings of the audit, including a commentary on the robustness and validity of the Council's own assessment.
18. We will publish an Annual Improvement Report that summarises and reports all the work carried out by the Wales Audit Office as well as that carried out by relevant regulators. We will aim to publish the Council's Annual Improvement Report by March 2013.

Local government studies

19. The Auditor General also has a duty to undertake studies of local authorities under sections 41 and 42 of the Public Audit (Wales) Act 2004. During 2012-13, the Auditor General will conduct a study of services provided to young people not in employment, education or training (NEETS).

Other work the Auditor General uses to inform his performance audit work at the Council

20. The Auditor General may draw upon other work in reaching his conclusions in relation to the Council. This work includes:
- the financial audit work of the Appointed Auditor;
 - the work of relevant regulators, particularly the Care and Social Services Inspectorate Wales (CSSIW), Estyn, and the Welsh Language Commissioner;
 - the Auditor General's programme of local performance audit work at individual NHS bodies;
 - the Auditor General's programme of value-for-money studies examining the economy, efficiency and effectiveness with which the Welsh Government and its sponsored and related bodies use their resources to discharge their functions; and
 - work that may have been commissioned by the Council.

The financial audit work of the Appointed Auditor

21. The Auditor General appoints auditors under the Public Audit (Wales) Act 2004 to audit and report on the accounts of local authorities. Audit reports include an opinion on:
- whether the financial statements give a true and fair view of, or present fairly, the state of affairs of the body;
 - whether the financial statements have been prepared properly in accordance with relevant legislation, directions and applicable accounting standards; and
 - the regularity of the transactions, at bodies where this is required.
22. Auditors will also examine the Council's governance statement or statement on internal control and report if it is not in accordance with relevant requirements or where it may be misleading or inconsistent with other information of which they are aware.
23. The Public Audit (Wales) Act 2004 also requires Appointed Auditors to satisfy themselves that an audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors will apply criteria specified by the Auditor General and will place reliance on the Improvement Assessment and other work carried out by the Auditor General or relevant regulators.

The work of relevant regulators

24. Estyn and the CSSIW also undertake work in relation to councils in Wales. The nature of that work and the legislative functions supporting it are described in [Appendix 2](#). [Exhibit 2](#) sets out the planned regulatory activity of Estyn and the CSSIW. This and other work that may arise will be included in updates of the WP&T.

Exhibit 2: Other planned regulatory activity

Estyn	
Councils receive approximately three months' notice of Estyn inspections. This programme will be updated as and when Estyn notifies the Council of any inspection work.	To be confirmed
CSSIW	
CSSIW is changing its structure and will undertake a very modest level of inspection, mostly through site visits until the new structure is in place.	April to September 2012

25. The Welsh Language Commissioner (the Commissioner) monitors the Council's progress in delivering services to the public in Welsh. The Commissioner works with councils to help them develop their statutory Welsh Language Schemes that outline the way in which they provide services to the public in Welsh.

The Auditor General's programme of local performance audit work at individual NHS bodies

26. As the external auditor of the NHS in Wales, the Auditor General also has a programme of financial audit and performance audit work in relation to individual local health bodies. As collaboration in health and social care becomes more prevalent, this work will have increasing relevance to his Improvement Assessment work.

The Auditor General's programme of value-for-money studies

27. Reports arising from the Auditor General's programme of value-for-money studies are usually laid before the National Assembly for consideration by its Public Accounts Committee. As many of these studies cut across the boundaries between different parts of the Welsh public sector, they will often be relevant to his work in local government. Although subject to change throughout the year, [Appendix 5](#) lists the value-for-money studies that the Auditor General is currently committed to. As indicated in [paragraph 19](#), the Auditor General's studies in local government can form part of a wider value-for-money study.

Work that may have been commissioned by the Council

- 28.** Under the Public Audit (Wales) Act 2004 and the Government of Wales Act 2006, the Council may commission work from the Auditor General. The Council should discuss this in the first instance with the Wales Audit Office.

Appendix 1

Wales Audit Office performance work planned for 2012-13

Local Government all-Wales study 2012-13 – Young People not in Education, Employment or Training (NEETS)

Audit of Improvement Plan

Audit of assessment of performance publication, including testing and validation of authority's assessment of performance

Performance Indicator audit

Risk assessment of housing and council tax benefit

Improvement Study – key themes from assessments of performance

Improvement Study – effectiveness of scrutiny

Improvement Study – authorities' reviews of governance and preparation of Annual Governance Statements

Progress check areas for improvement identified in previous assessments

Collaboration

Review of homelessness arrangements

Review of arrangements by the Council to deliver services that are efficient and well-managed

Ongoing engagement with the Council

** Each year's work programme and fee cover one cycle of Improvement Assessment work. However, this work may not fit neatly within a period starting on 1 April and ending on 31 March. The delivery of our annual work programme may therefore overlap financial years.*

Appendix 2

Roles and responsibilities

The Wales Audit Office comprises the Auditor General and his staff. The Auditor General's main functions are set out in the Government of Wales Acts 1998 and 2006, the Local Government Act 1999, the Public Audit (Wales) Act 2004 and the Local Government (Wales) Measure 2009.

Performance Group Director

The Performance Group Director is directly accountable to the Auditor General for overseeing the delivery of all performance audit work at the Council.

Manager local government region

The Manager reports to the Group Director and is the primary point of contact for the Improvement Assessment work at a senior officer and political level in local government bodies. The Manager will present reports of the Improvement Assessment to the Council.

Performance Audit Lead

The Performance Audit Lead plans and co-ordinates inputs to the Improvement Assessment at each Council.

Appointed Auditors

The Auditor appointed by the Auditor General must carry out audits that discharge the statutory duties placed upon them by the 1999 and 2004 Acts. The Auditor General publishes a Code that prescribes the way in which auditors are to carry out their functions.

Relevant regulators

The principal functions of the CSSIW are contained in Chapter 6 of the Health and Social Care (Community Health and Standards) Act 2003.

Estyn conducts inspections of Local Authority Education Services for Children and Young People under Section 38 of the Education Act 1997. These inspections form part of a three-year cycle that began in 2010-11. Estyn will also conduct follow-up inspections as necessary.

Estyn also has powers under the Education Act 2005 and Section 86 of the Learning and Skills Act 2000. Other Estyn inspections that may involve council provision are carried out under the Teaching and Higher Education Act 1998 and an agreement between Estyn and Jobcentre Plus. The period of notice for all Estyn inspections has been established by agreement between Estyn and the service providers in each sector. As this period is often quite short (normally three months), it is not possible to publish at the beginning of the financial year details of any inspections for which the provider has not received notification. In these cases, as soon as the provider is notified of the inspection, the details will be made available to the Wales Audit Office, to update the WP&T.

The Welsh Language Commissioner is an independent statutory body established by the Welsh Language (Wales) Measure 2011. Its main function is to promote and facilitate the use of the Welsh language.

Appendix 3

Auditor General's performance audit team

Name	Role	Phone	E-mail
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Appendix 4

Fees

The proposed fee for April 2012 to March 2013 is £120,880 (plus VAT) and will be charged in equal instalments between April 2012 and March 2013. Our fee is set out below.

The Wales Audit Office receives a grant from the Welsh Government for delivering the Wales Programme for Improvement. Part of this grant is used to subsidise fees for Improvement Assessment work. This year the subsidy has been allocated on an equal basis across the 22 unitary authorities.

The fee

	Fee April 2012 to March 2013*
Total fee for Improvement Assessment and audits	£155,880
Less WPI subsidy	£35,000
Fee charged to the authority	£120,880

**The fee is for performance audit only and does not cover the financial audit work of the Appointed Auditor.*

Appendix 5

The Auditor General's programme of value-for-money studies

Work in progress

2007-13 EU structural funding

Informing healthcare

NHS consultant contract benefits realisation

Sale of the (former) River Lodge Hotel, Llangollen

Healthcare across the UK (in collaboration with the National Audit Office, Audit Scotland and the Northern Ireland Audit Office)

National Fraud Initiative 2010-11

The Welsh Government's relationship with the All Wales Ethnic Minority Association

Continuing healthcare

Emergency planning – civil contingencies

Education of looked after children

Picture of public services – health finances

Welsh Government location strategy

Public procurement of consultancy services

Child and adolescent mental health services – follow-up work

Forestry Commission Wales – follow-up work

Planned studies that are yet to start

Welsh Government arrangements for working with the third sector

Young people not in education, employment or training (NEETS)

Medicines management

Financial planning and management in higher education

Supply teachers (possibly in collaboration with Estyn)

Public sector workforce planning/managing workforce reduction

Grants to farmers (possibly focusing on the Glastiragri-environment scheme)

Note: In addition to this list, it is likely that the Auditor General will decide to publish a national summary report(s) following recent local NHS performance audit work on unscheduled care and the management of chronic conditions.



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Report To: Corporate Governance Committee

Date of Meeting: 11 July 2012

Lead Officer: Alan Smith, Head of Business Planning & Performance

Report Author: Tony Ward, Corporate Improvement Team Manager

Title: Wales Audit Office: Technology Review Feedback

1. What is the report about?

This report presents feedback from the Wales Audit Office (WAO) following a technology review at Denbighshire County Council.

2. What is the reason for making this report?

To provide information regarding the Technology Review Feedback (attached at Appendix A to this report).

3. What are the Recommendations?

It is recommended that the Committee note the findings of the review and discuss the arrangements for responding to any significant issues.

4. Report details.

The review sought to answer the question: "Are the council's arrangements for developing, using and supporting technology likely to support continuous improvement?" The WAO concluded that: "The Council's arrangements for developing, using and supporting technology are likely to support continuous improvement once the Council further strengthens its ICT governance arrangements and successfully completes Phase 1 of its ICT Strategy". Further details of the WAO's findings, conclusions, and proposals for improvement are outlined in the attached report.

5. How does the decision contribute to the Corporate Priorities?

This report is for information rather than for a decision.

6. What will it cost and how will it affect other services?

The main conclusion from the review was that the council's ability to support continuous improvement through technology is dependent on successful implementation of Phase 1 of the ICT Strategy. This conclusion does not have additional resource implications as Phase 1 of the ICT Strategy has already been implemented and a closure report is currently being drafted.

7. What consultations have been carried out?

Drafts of the Technology Review Feedback were discussed with appropriate officers, including the Business Transformation Manager and the Corporate Director: Customers before finalisation.

8. What risks are there and is there anything we can do to reduce them?

The Corporate Risk Register includes “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) were:

- Delivery of Phase I of the ICT Strategy (now complete); and
- Agree (and then deliver) Phase II of the ICT Strategy.

9. Power to make the Decision

This report is for information rather than for a decision.



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Technology Review Feedback

Denbighshire County Council

Audit year: Annual Improvement Assessment 2012

Issued: June 2012

Document reference: 171A2011

Status of report

The person who delivered the work was Andrew Doughton.

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Summary report

1. Effective use of technology is essential for transforming the delivery of public services, improving outcomes for citizens and delivering efficiency savings. Technology can support different ways of working, delivering services and engaging with citizens, enabling councils to deliver more for less. The way in which technology is delivered and managed has a direct impact on the efficiency, effectiveness and quality of work undertaken across the council and affects almost every council worker. Poor ICT governance can lead to the use of inappropriate systems, system unavailability and frustration throughout the organisation.
2. In 2010, the Wales Audit Office identified that many local authorities were grappling with ensuring technology was used effectively to support service transformation and achieve efficiency savings, and as a result, reviews of technology are being undertaken at all councils in Wales.
3. This review sought to answer the question: **‘Are the council’s arrangements for developing, using and supporting technology likely to support continuous improvement?’** Our review of Denbighshire County Council (the Council) concluded that:
 - The Council’s arrangements for developing, using and supporting technology are likely to support continuous improvement once the Council further strengthens its ICT governance arrangements and successfully completes Phase 1 of its ICT Strategy:
 - ICT governance arrangements do not fully align with and support the delivery of the Council’s improvement and transformation priorities and there are weaknesses in technology resourcing arrangements that need to be addressed; and
 - the Council has focused on developing customer access channels which are starting to perform well, but is not fully exploiting the potential of technology to deliver service transformation and efficiencies and it needs to develop arrangements to demonstrate a return on its technology investments.
4. Our findings, conclusions, and proposals for improvement are outlined in the table below.

High-level questions and findings

<p>High-level question</p>	<p>Are the Council's arrangements for developing, using and supporting technology likely to support continuous improvement?</p>
<p>High-level answer: We have concluded that:</p>	<p>The Council's arrangements for developing, using and supporting technology are likely to support continuous improvement once the Council further strengthens its ICT governance arrangements and successfully completes Phase 1 of its ICT Strategy.</p>
<p>Assessment of current arrangements</p>	<p>ICT governance arrangements do not fully align with and support the delivery of the Council's improvement and transformation priorities and there are weaknesses in technology resourcing arrangements that need to be addressed.</p>
<p>Assessment of performance</p>	<p>The Council has focused on developing customer access channels which are starting to perform well, but is not fully exploiting the potential of technology to deliver service transformation and efficiencies, and it needs to develop arrangements to demonstrate a return on its technology investments.</p>
<p>Proposals for improvement</p>	<ol style="list-style-type: none"> 1. Ensure that the ICT Strategy is comprehensive including wider services technology and systems needs. This could, for example, take the form of the development of a corporate and service level strategy implementation plan as part of phases 2 and 3 of the strategy. 2. The Council should ensure alignment between plans for creating efficiencies through greater use of technology with funding requirements and ICT workforce plans. Development of the business consultant role should be adequately resourced to enable alignment of plans and sustainable funding requirements. 3. The Council should also ensure that funding for infrastructure is sustainable and able to meet future needs. 4. Reduce the total cost of ownership by a review of ICT desktop technology funding arrangements treating them as a corporate commodity funded centrally linked to a refresh programme and medium-term financial plans. 5. Ensure that technology projects across all the Council's services are effectively reviewed, to determine planned or actual business improvement achieved and return on investment. 6. The Council should ensure that the information systems or new technology needs of collaborative projects and plans are formally communicated to the ICT Service, to ensure that the service can effectively prioritise its programme of work.

High-level question	Are the Council's arrangements for developing, using and supporting technology likely to support continuous improvement?
Proposals for improvement	7. The Council collects basic information relating to channel use, but it needs to collect focussed information relating to the cost of transactions across the different access channels to establish baseline performance information and then regularly monitor the usage and cost, and use this to inform decision making and prioritisation.
Findings	<p>Because:</p> <ul style="list-style-type: none"> The Council is in the process of developing an ICT Strategy for 2012-14. The Head of Customer Services is responsible for the production and delivery of the ICT Strategy, but has taken an approach in strategy development which engages corporate and Service management. The Senior Leadership Team is responsible for endorsing the strategy and ensuring it is in line with Council objectives and available investment. The strategy is split into three phases; the first (foundation phase) has been funded, but later phases will require funding approval, once progress has been achieved with phase 1. The delivery of the Strategy will be overseen and monitored both through formal governance/scrutiny functions, service performance management, and through the business transformation programme board. Implementation of the strategy will be in three phases (building a fit-for-purpose ICT foundation, implementing the programme of work and required project governance structures, ICT Services delivered in collaboration). The draft strategy covers the development of the infrastructure and corporate 'enabler' requirements, for example mobile working, information management as well the collaborative agenda. The strategy does not identify specific technology requirements within services, although there is recognition within the ICT service that the business consultant role is increasingly important for facilitating technology improvements in services. There is a formal process for identification of ICT projects: <ul style="list-style-type: none"> - Through the business transformation programme; and - Service-based technology priorities through the evolving business partner role where an ICT service consultant works with services to understand their current and future business requirements. This helps to define and prioritise ICT projects.
	<p>Yes or No</p> <p>In part</p>

Findings	Yes or No	Because:
<p>Are the Council's technology <i>plans</i> likely to support its improvement priorities?</p>	<p>In part</p>	<ul style="list-style-type: none"> • Recently introduced project mandate processes, with weighting and priority monitored on a quarterly basis. • The Council is committed to collaboration although the form and function of collaboration are currently unclear for a number of services. There are also ranges of ICT-specific collaboration activities which are progressing. The Head of Customer Services is engaged in both regional and national discussions about a collaborative approach for sharing common infrastructure regionally. • Arrangements to support effective delivery of the ICT strategy include: <ul style="list-style-type: none"> – the ICT Strategic forum which is the 'Progress through technology group'; – the ICT Operational Group co-ordinates day-to-day ICT Service activity and operational level issues and opportunities in services; and – the Technical Design Authority is an ICT service group which is responsible for defining and documenting technical standards. • The Council accepts that investment in ICT/technology can help it achieve service transformation and has committed investment for the foundation phase of the strategy. Further commitment for funding subsequent stages of the strategy is likely to be more dependent on demonstrable efficiencies and the likelihood of achieving business benefits and return on investment. • ICT staff resources have reduced to a minimum required baseline. The ICT staff resources to support day-to-day operational delivery are sufficient. However, ICT workforce plans need to develop to ensure adequate skilled resources are available to support the Council's technology-enabled business improvement aims without degrading the quality of ICT service provision or delaying project delivery. Insufficient capacity or technical skills could limit the extent to which technology can effectively enable improvement and collaboration at the required pace.

Findings	Yes or No	Because:
<p>Are the Council's technology <i>delivery arrangements</i> likely to support continuous improvement?</p>	<p>In part</p>	<ul style="list-style-type: none"> • The Council plans to use technology to enable business transformation and to achieve its financial savings, through improved customer access and service improvement but its approach to funding technology development limits the potential to which technology can effectively enable improvement. The Council takes a traditional service-based approach rather than a corporate approach to investing in technology. ICT developments and initiatives are determined by the availability of funds and within service budgets, which is not the most effective way to use technology to transform service delivery. The Council uses earmarked annualised capital funding arrangements to ensure that the ICT infrastructure is sustainable, routine maintenance is from the ICT revenue. This is an annual earmarked fund, although it is not specifically linked to medium-term financial plans. • The Council's policies are current and clearly outline how technology is to be deployed, used and exploited. The Technical Design Authority has progressed well with formalising current standards. The Council is compliant with the UK Government Connect Secure Extranet (GCSX), a secure wide-area network that allows officials at local public sector organisations to interact and share data privately and securely with central government departments. • Desk top devices and software are funded from devolved service budgets, which is not the most efficient and cost-effective way of managing desktop technology. Desktop refresh is recommended at four years. Desktop technology is an essential component of almost every aspect of work, and its unavailability or poor performance has a detrimental impact on staff productivity. Treating the desktop as a corporate commodity and adopting a standard lifespan linked to the total cost of ownership of the desktop would enable the Council to: <ul style="list-style-type: none"> – define and manage structured replacement programmes; – plan bulk purchases, thereby achieving economies of scale; – ensure a consistent standard of provision across the Council; – minimise ICT support overheads; and – remove the overhead of preparing, challenging and approving business cases.

Findings	Yes or No	Because:
<p>Are the Council's technology <i>delivery arrangements</i> likely to support continuous improvement?</p>	<p>In part</p>	<ul style="list-style-type: none"> The ICT Service works to a risk management framework. A systematic approach to risk management has been developed to enable the department to identify, evaluate, control and monitor risks that could present strategic or tactical threats to the department. There is a corporate risk management approach which follows the service structure. Technology risks from within other services are identified via their risk management processes and these do not currently formally link back into Customer Services. The technology risks from other services are identified by ICT through more informal approaches, although the planned focus on the business account role may help alleviate this issue. The ICT Service has programme and project management arrangements in place, based upon Prince 2 principles which are scalable. The Council is effectively managing the procurement and maintenance of its ICT assets. All technology procurement is through the central ICT Service using the Council's procurement framework. The ICT department uses software to assess the currency and licensing of its software base.
<p>Is the Council using technology as an <i>enabler</i> for transformation and substantial savings on running costs?</p>	<p>Yes</p>	<ul style="list-style-type: none"> The Council does not have a strong track record of analysing and demonstrating business benefits and return on investment achieved on service technology projects. The Council focuses on moving customer transactions to more affordable and effective means (channel shift) to improve business processes, using technology to fundamentally rethink how services are accessed by customers in order to improve customer service and cut operational costs. It has a customer contact service that enables transactions and enquiries face to face, by telephone or using the internet, underpinned by a CRM system. The Council's website offers a wide range of self-service facilities and is further integrating service-based processes and systems into the corporate contact centre. This includes support of social inclusion such as access for the disabled, is bilingual and supports mobile devices. The Council is also starting to exploit the potential of other aspects of technology such as EDRMS, Customer Relationship Management and Geographical Information System to achieve back-office service transformation and further efficiencies.

Findings	Yes or No	Because:
Is the Council using technology as an <i>enabler</i> for transformation and substantial savings on running costs?	Yes	<ul style="list-style-type: none"> • The Council is currently implementing central shared storage technology to rationalise the Council's storage devices for the Council's information and data and, in the long term, improving resilience. • The Council is planning to exploit technology to introduce more flexibility in how employees are empowered and enabled to work, at home, on site, or in customers' homes. In some service areas this is currently in place and delivering improvements. • The Council is starting to use technology to reduce printing costs and improve quality through printer rationalisation. The aim of these activities combined is to change the culture of the Council, significantly reduce printers, and generate savings. • The Council is not currently taking a corporate approach to releasing funds through effective management of its applications although this is planned through wider collaboration. • The Council is committed to green ICT, and plans to significantly reduce power requirements by the end of the 2011-12 financial year.
Is the Council effectively monitoring and evaluating technology improvement and performance?	In part	<ul style="list-style-type: none"> • SOCITM key performance indicators are calculated and returned to SOCITM as part of the SOCITM Cymru benchmarking exercise. They are used to monitor operational performance of the ICT Service through quarterly performance challenge by the Head of Service. • The Council does not have a strong track record of monitoring the impact and efficiency of technology projects in services, making it difficult to fully evaluate the performance/efficiency improvements arising from investment in technology. However, this is improving; pre-implementation forecasts of savings have been identified for the WorkSmart and pilot EDRMS project. The ICT Service energy saving project is demonstrating tangible efficiencies. • The Council undertakes, and has learnt from, post-project learning exercises, such as the intranet project. • The Council demonstrates improving arrangements for learning from others and has visited other sites to learn from their way of working. The IT department also undertakes post-project evaluations.

Findings	Yes or No	Because:
Is the Council effectively monitoring and evaluating technology improvement and performance?	In part	<ul style="list-style-type: none"> The Council is developing ways in which it can monitor and manage its channel access; currently it has limited baseline information. The Council has brought in suppliers in a number of instances to demonstrate what different technologies are available and how they could potentially improve service delivery and efficiency. Formal ICT governance arrangements are through: the appointed member portfolio representative, who demonstrates a good understanding of ICT; Corporate Governance Committee; and Performance Scrutiny Committee. Officer accountability is through the Senior Leadership Team, Corporate Executive Team and Progress through Technology Group. Technology projects which link to the improvement and efficiency programme are managed and monitored through the Business Transformation Programme. The corporate strategic technology group, called the 'Progress through Technology Group' provides management links to other services. There is no overarching governance function for technology use and exploitation which encompasses all of the Council's technology needs. There is no corporate approach to monitoring the effectiveness of the Council's use of technology; this is devolved to the general scrutiny and governance for services. ICT Service accountability is through the Senior Leadership Team, Corporate Executive Team and Progress through Technology Group.



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Report To: Corporate Governance Committee

Date of Meeting: 11 July 2012

Lead Officer: Alan Smith, Head of Business Planning & Performance

Report Author: Tony Ward, Corporate Improvement Team Officer

Title: Review of Strategic Risk Management: Closure Report

1. What is the report about?

This report presents the project closure report for the Strategic Risk Management Review Project.

2. What is the reason for making this report?

To provide information regarding the review of strategic risk management and the subsequent implementation of a new process for coordinating strategic risk management.

3. What are the Recommendations?

The Members note the attached project closure report (attached at Appendix A). The Corporate Improvement Team Manager will be in attendance to respond to any comments or queries in relation to the report.

4. Report details.

The council undertook 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, including: a new strategic risk management policy & 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 have been realised (detailed on page 5 of the attached Risk Review Closure Report:

- A modernised, more integrated and effective Risk Management system that is fit for purpose and simple to understand.
- A clear template that has contributed to the reduction in the size of the risk registers (see appendix III) by some four-fifths (401 pages to 80), 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 (see appendix III). All 35 instances of duplication were also eliminated from the registers.
- A proactive and continuous risk aware culture across all parts of the council, which reduces the possibility of unplanned activity or financial costs and their

effect on the council's reputation, and maintains and improves customer confidence in our ability to deliver on our commitments.

- Clear accountability and reporting procedures in place.
- Services are 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.
- Resources, including member and officer time, can be used more effectively.
- The relationship between the Corporate Risk Register and the service risk registers is better defined, aligning more clearly the responsibility for those risks with Director and Cabinet portfolios.
- A system that mirrors that which is used by Conwy County Borough Council, which makes for easier planning where joint services are concerned.

5. How does the decision contribute to the Corporate Priorities?

Effective risk management is necessary in order to identify and manage the potential events which (if they occurred) would have a detrimental impact on our ability to achieve our objectives, including our Corporate Priorities.

6. What will it cost and how will it affect other services?

The cost of the risk management review, and implementation, has been absorbed by the Business Planning & Performance service. The Corporate Improvement Team (within Business Planning & Performance) are responsible for coordinating strategic risk management to ensure that the new approach continues to be followed for our Corporate and Service risk registers.

7. What consultations have been carried out?

No consultation has taken place in relation to developing this report or the Risk Review Closure Report (attached). It has been produced by the Corporate Improvement Team based on an analysis of the outputs from risk management (i.e. risk registers).

8. What risks are there and is there anything we can do to reduce them?

Appendix I to the attached Risk Review Closure Report summarises the existing risks to successful implementation of the new risk management process, including mitigating actions to reduce those risks.

9. Power to make the Decision

This is a paper for information, rather than for decision.

PROJECT CLOSURE

Project / activity name:	Review of Strategic Risk Management
Programme:	Business Transformation Programme
Workstream:	Business Tools and Processes

Head of Service:	Alan Smith	Lead member:	Paul Marfleet
Service area:	Business Planning & Performance	LM Portfolio:	Council Modernisation
Form completed by:	Iolo McGregor	Date:	02/05/12

Date of project handover / completion:	09 November 2011
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PROJECT CLOSURE REPORT GOALS

1. To review and validate the success of the project at the completion / handover stage.
2. Confirm outstanding issues, risks, and recommendations.
3. Outline tasks and activities required to close the project
4. Identify project highlights and best practices for the future.
5. Handover from the Project Board to the relevant service area.

BACKGROUND INFORMATION

Risk Management is an important tool for the council. Within our business there are risks that are inherent to the work that we do, and we have a duty to manage these in a balanced, structured and cost effective way. The identification, assessment, management and reporting of risk information must be timely, accurate, relevant and give adequate coverage of the key risks in order to support management decision making, and to ensure that we meet our desired outcomes at a corporate, service and project level. If we fail to identify, assess and manage our risks it may result in considerable unbudgeted expenditure, damage to our reputation, and confidence in the community.

The system the council previously used to manage strategic risk was not properly embedded in the organisation. The process of Service Performance Challenges highlighted that services were not using the risk management system consistently or proactively. There was also confusion between risks and issues. Strategic risk management had been part of the Audit Function within the council and the disproportionate responsibility for monitoring service risk fell on the Risk and Audit Manager. Feedback from the Senior Leadership Team was that the system was overly complicated and not easy to use.

The management of risk is an important part of performance management and the council needs to be sure that it is undertaken effectively at both the operational and

strategic level. This area of work formed part of the work programme of the Business Transformation Board, and was a key part of Improving the way the council works. The project focussed on:

- A review of the current system.
- Engagement with managers and services to improve the current arrangements.
- Ensuring that the new system is embedded in the organisation.

Achieving cultural change was a key part of this project, and the review focussed on that. Because of this, external support from Richard Baker, Director of Governance & Risk Management for Caerus Consulting was required to help facilitate change and bring in an element of challenge to the review. Richard Baker had previously conducted a similar review for Conwy County Borough Council. Training was provided for the Corporate Executive Team, the Senior Leadership Team, and the Middle Management; as well as the Corporate Improvement Team that would be responsible for the integration and coordination of effective risk management with the council's business planning processes going forward.

The purpose of this project was therefore to implement the recommendations of the review, including the practical arrangements required to make the transition between the old and new systems. On November 9, 2011 a report that accompanied a new Risk Management Guidance and Policy was submitted for the consideration of the Corporate Governance Committee, which resolved that:

- a) *it approves the content of the accompanying Risk Management Guidance document and Policy Statement;*
- b) *it agrees its role and responsibilities as outlined in the Risk Management Guidance document under section 2.4 and 4.1; and*
- c) *agrees that reference to staff training issues be included in Paragraph 2.5 of the Risk Management Guidance document.*

Assurance as to the effectiveness of the internal control procedures and mechanisms in place to mitigate risks across the council will continue to fall within the purview of the Internal Audit team, which will produce an annual review for the Corporate Governance Committee. Internal Audit will also use the information from the risk management framework to inform their risk-based audit plan.

This closure report represents the views and recommendations of the workstream established to undertake the work of the Risk Management Review, as well as an evaluation of progress to date. With the Corporate Governance Committee's acceptance of the new risk management system, the project is now closed, and any outstanding actions will be part of business as usual.

PROJECT HIGHLIGHTS AND BEST PRACTICE

Project highlights include:

- A clear and consistently applied system throughout the council, with better accountability and engagement by officers.
- A simple but effective risk register template.

- A reduction in the size of risk registers, brought about by the clear separation of risks and issues, and the removal of duplication.
- A new Corporate Risk Register for which Corporate Directors and Cabinet Members are more clearly accountable.
- Comprehensive training delivered to the Corporate Executive, Senior Leadership and Middle Management teams, as well as elected Members (including Cabinet, Corporate Governance, and Performance Scrutiny).
- 42 new service risks and 6 new corporate risks identified.
- Where joint services are concerned, it was agreed with Conwy County Borough Council's corporate centre that Denbighshire's Risk Register template would be used.
- The final adoption of the new Guidance and Policy by Corporate Governance.

The project has demonstrated best practice in the following ways:

- A thorough review, which has included a desktop assessment of our systems; interviews with key stake-holders; workshops for the Corporate Executive and Senior Leadership teams.
- Good communication of the principles of the new system throughout.
- Strong working relationships between the Corporate Improvement Team and lead performance officers in services, providing reliable support and guidance as needed to help in the production of new service registers.
- Good communication between Corporate Improvement Officers, providing a useful forum to assess the strengths and weaknesses of service registers at every stage.
- The implementation of a significant culture change without disruption to the council's work.

PROJECT OUTPUT

- A new system that more clearly distinguishes between risks and issues, avoiding 'objective traps' where there is no uncertainty or event that would undermine delivery.
- Relevant plans and arrangements have been put in place to support this, including clear reporting and scrutiny mechanisms.
- Better integration of risk management with existing business planning processes, developing clear links with service plans.
- Strong support mechanisms through the relationship management role of Corporate Improvement Officers.
- The adoption of a 4-RAG system to better score risk severity.
- A system of risk categorisation.
- A system that allows for more independent challenge through Internal Audit to ensure the principles and requirements of managing risk are consistently adopted throughout the council.
- Risk registers that are clear and easy to follow.
- A Corporate Risk Register that accurately captures Corporate Risks, placing clear accountability with Corporate Directors and Cabinet Members.

REVENUE COST

The introduction of the new Risk Management system has resulted in some marginal cost savings. By virtue of the simplified template, the reduction in the size of the registers by some four-fifths has resulted in a saving of at least £270 annually in printing costs for the Service Performance Challenge programme. This figure is based on black-and-white costs only, not colour as has sometimes been the case, and does not take into account any additional copies printed within the services throughout the year.

There are no additional cost implications as a result of this project, and it is anticipated that a more focussed risk process will mean greater added value and better use of resources, as well as officer and Member time.

TIMESCALES

For the full project delivery plan, please see appendix II.

Project Stage		Start Date:	Finish Date:
0	Project Brief	02/03/11	11/05/11
1	Project Business Case	N/A	N/A
2	Project Delivery Plan	02/03/11	23/05/12
3	Implementation	06/07/11	08/02/12
4	Project Closure / Evaluation	02/05/12	23/05/12

QUALITY / SPECIFICATION

The implementation has been delivered within timescales and the desired outputs have been achieved within the scope of the project and without any additional impact or disruption to the work of the council or budget. The new service registers were well-received during the Service Performance Challenge programme, and members and officers have praised the new style and methodology for its simplicity. A report to the Corporate Governance Committee on February 8, 2012 introduced the new Corporate Risk Register, which was developed from the new service registers and focussed sessions with the Corporate Executive Team. The committee resolved that:

- a) *it receives the report;*
- b) *confirms that it is satisfied that the process for developing, monitoring and reviewing the Corporate Risk Register is robust.*

However, the Corporate Improvement Team has identified further work that is needed to fully embed the new system (see appendix III), there being some continuing issues around cultural change and the way in which the council understands 'risk'. In particular there is more work to be done in understanding the controls that are in place and applying

consistent risk scoring in the registers. Corporate Improvement Officers will be addressing these issues during their meetings with Heads of Service and lead performance officers prior to the next round of service performance challenges. The continued progress of the new risk management system will be monitored through the reporting systems that are in place, including an annual review by Internal Audit.

BENEFITS

- A modernised, more integrated and effective Risk Management system that is fit for purpose and simple to understand.
- A clear template that has contributed to the reduction in the size of the risk registers (see appendix III) by some four-fifths (401 pages to 80), 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 (see appendix III). All 35 instances of duplication were also eliminated from the registers.
- A proactive and continuous risk aware culture across all parts of the council, which reduces the possibility of unplanned activity or financial costs and their effect on the council's reputation, and maintains and improves customer confidence in our ability to deliver on our commitments.
- Clear accountability and reporting procedures in place.
- Services are 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.
- Resources, including member and officer time, can be used more effectively.
- The relationship between the Corporate Risk Register and the service risk registers is better defined, aligning more clearly the responsibility for those risks with Director and Cabinet portfolios.
- A system that mirrors that which is used by our colleagues at Conwy County Borough Council, which makes for easier planning where joint services are concerned.

OPERATIONAL HANDOVER

Training was rolled out to the Corporate Executive, Senior Leadership and Middle Management teams throughout July 2011, and to elected members in September 2011. On September 9, 2011, the Corporate Improvement Team met with Richard Baker to agree the practical arrangements going forward for the full implementation of the new risk management methodology. Between then and the Service Performance Challenge round held in October / November 2011, a new Risk Management Guidance and policy was written (accepted by the Corporate Governance Committee on November 9, 2011), and Corporate Improvement Officers met with each service to give shape to their new registers. Following the service challenges, the Corporate Improvement Team Manager met with each Corporate Director individually and facilitated a workshop session to agree on the content of the new Corporate Risk Register (accepted by the Corporate Governance Committee on February 8, 2012). CET will review the register every 6 months after up-dated registers have been submitted to the twice-annual rounds of service performance challenges.

The new Risk Management system is already well established and embedded into our

business planning framework and monitoring systems, and the workstream is satisfied that the project can now be closed. The Corporate Improvement Team will continue their dialogue with services throughout the year to ensure that their registers are up-to-date and relevant, and that risk management is firmly and consistently part of business as usual. Special consideration to the controls that are in place and the risk scoring will be given ahead of the next round of service performance challenges. Any persistent issues or 'objective traps' will also be looked at again. The new system's progress will be monitored through existing business systems that are in place, including an annual report by Internal Audit to the Corporate Governance Committee, which will identify any weak areas that need to be strengthened to improve the process.

LESSONS LEARNT

What happened?	How did we react?	Action for the future
<p>1. A significant quality issue was identified with the Risk Register for the Joint Highways & Infrastructure Service. The register was created by applying Conwy County Borough Council's methodology, which, although the same as Denbighshire's, differed in its application and consistency with other Denbighshire services.</p>	<p>The Corporate Improvement Officer responsible for that service arranged a joint meeting between Denbighshire and Conwy, which included the Head of Service, to explain the principles of the risk management methodology and agree new content for the Service's register.</p>	<p>Although in this case there was a timing issue that meant Denbighshire's Corporate Improvement Team was unable to have an input to the register before its submission to the Joint Service Performance Challenge, every effort should be made in future to ensure that documents are approved by both sides before submission to any panel. It is also important in any service that the Head of Service takes responsibility.</p>
<p>2. On occasion risks would not be clearly defined in their description, or often confused with the impact / consequence of some other event.</p>	<p>Corporate Improvement Officers met often with services to review the content of the registers as they were developed, providing any feedback and guidance as appropriate.</p>	<p>Officers must continue to share each other's work in this way and converse often with the services to ensure that the highest standards are being achieved.</p>
<p>3. Some services independently of each other would score similar risks differently.</p>	<p>Corporate Improvement Officers were aware that this is something that was likely to happen, but are well placed to discuss these differences with the services and reach a consistent score where appropriate, also taking into account the scoring used in the Corporate Risk Register.</p>	<p>As the system progresses there will be a greater bank of knowledge and precedence to call on and share with services where differences occur.</p>

4. New or continuing issues and objective traps persisted within the new risk registers at the insistence of services.	Corporate Improvement Officers approached the creation of the new service registers with tact, and recognised that at this early stage of implementing the new methodology, services would be reluctant to remove some issues that were of significant concern to them.	The model needs to have some discretionary flexibility to accommodate the needs of the service as appropriate, but should be consistently applied as far as possible.
5. The analysis of the old and new registers (see appendix III) has highlighted potentially legitimate risks that were not included on the new registers, possibly because they were no longer of concern, or had no significant impact.	The Corporate Improvement Officers will be considering these risks again with services during their forthcoming meetings to see whether or not there are any continuing concerns in these areas.	Officers should proactively evaluate their position, the work they have done, and any new developments to keep everything up-to-date.

FUTURE OPERATION – OUTSTANDING ACTIONS

Task	Responsibility	Date for completion
Assurance to be given to the Corporate Governance Committee as to the robustness of the Risk Management System (Annual Governance Statement).	Ivan Butler	13/06/12
Corporate Improvement Team to meet with all services ahead of the next round of service performance challenges to review the content of the service registers, addressing any identified inconsistencies (see appendix III), or weaknesses in controls / scoring.	Tony Ward	12/07/12
The content of the Corporate Risk Register to be reviewed by the Corporate Executive Team, taking into consideration any changes to service registers, and again any weaknesses in controls / scoring.	Tony Ward	31/08/12
Audit of Risk Management	Ivan Butler	31/03/13

VERIFICATION:

I certify that all the information in this report is accurate at the time of production.

Signature:	Alan Smith	Position:	Head of Business Planning & Performance
Name:	Alan Smith	Date:	02/05/12

APPENDIX I – RISK REGISTER



Project Name:	Risk Management Review
Date of report:	02/05/12

Risk No:	Date identified	Date last reviewed	Risk description & Mitigating Action	Risk Owner	Likelih'd Score	Impact Score	Risk Score	Risk Trend	RAG Status
RM1	02/03/11	02/05/12	<p>Culture change not fully successful, so that benefits may not be fully achieved.</p> <p>Mitigation:</p> <ol style="list-style-type: none"> 1. Corporate Improvement Officers to continue dialogue with services to ensure that risk management is consistently applied. 2. Promotion of the risk management system through the Intranet. 3. Internal Audit to provide an independent assessment of the new system. 	AS	2	3	6	↓	GREEN
RM3	02/05/12	-	<p>New members do not understand the Risk Management system.</p> <p>Mitigation:</p> <ol style="list-style-type: none"> 1. Training to be delivered to new members as part of their induction training on the Business Planning Framework. 2. Corporate Improvement Officer support available to all members as needed. 	AS	3	3	9	↓	AMBER
RM5	02/05/12	-	<p>Risks are overlooked or lost within the new system</p> <p>Mitigation:</p> <ol style="list-style-type: none"> 1. Registers are reviewed twice-annually as part of the Service Performance Challenge programme. 2. Corporate Improvement Officers are in continuous dialogue with services throughout the year. 3. Internal Audit will review all registers as part of their annual report to Corporate Governance. 4. All staff within the council have the responsibility for identifying risks. 	AS	1	4	4	↓	GREEN

APPENDIX II – PROJECT DELIVERY PLAN



Risk Management Review Project Plan 2011-12

Action	Lead	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Communication Plan	Alan Smith															
Agree parameters of review	SLT															
Agree consultancy support for review	Alan Smith / Bethan Jones															
Agree programme of work	Alan Smith / Bethan Jones															
Desktop review & interviews with stakeholders	Alan Smith / Richard Baker															
Strategic Risk Workshop	Alan Smith / Richard Baker															
Proposal for revised system	Alan Smith / Richard Baker															
Agreement of new strategic risk system	Business Transformation Board															
Implementation of revised Strategic risk system	Tony Ward															
Rollout of new system through training with officers	Alan Smith / Richard Baker															
Develop new Risk Management Guidance and Policy Statement																
Member Training	Alan Smith / Richard Baker															
Corporate Improvement Team Training	Tony Ward / Richard Baker															

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APPENDIX II – PROJECT DELIVERY PLAN



Action	Lead	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Meetings with services to develop new risk registers	Corporate Improvement Team															
Approval of new Risk Management Guidance and Policy	Corporate Governance Committee															
Development of new Corporate Risk Register	Tony Ward / Richard Baker															
Acceptance of new Corporate Risk Register	Corporate Governance Committee															
Evaluation of Risk Management Implementation and project closure	Tony Ward															

APPENDIX III – RISK REGISTER ANALYSIS



Old Risk Management Methodology Year-End 2010-11	No. of Pages	Total Registered	Total number of Objective Traps	Total number of Issues	Instances of Duplication	Number that were Duplicated	Objective Traps Removed	Issues Removed	Risks Removed	Total Removed	Risks not in New Registers
Corporate	36	28	17	4	0	0	12	4	4	20	4
Adults & Business Services	8	4	2	0	0	0	1	0	0	1	0
Business Planning & Performance	18	13	8	4	2	1	7	3	1	11	1
Children & Family Services	12	6	5	0	0	0	4	0	1	5	0
Customer Services	30	22	16	0	3	1	14	0	3	17	1
Environment Services	50	27	17	1	6	1	16	0	7	23	2
Finance & Assets	40	29	16	0	5	2	15	0	8	23	4
Highways & Infrastructure	29	24	12	5	0	0	11	3	3	17	2
Housing Services	26	14	10	0	3	1	4	0	2	6	0
Legal & Democratic Services	22	13	11	2	0	0	10	2	0	12	0
Leisure, Libraries & Community Development	28	22	11	0	0	0	10	0	7	17	7
Modernising Education	18	10	5	0	0	0	1	0	1	2	1
Planning, Regeneration & Regulatory Services	40	23	11	0	14	2	8	0	10	18	1
School Improvement & Inclusion	18	8	4	2	0	0	2	2	1	5	1
Strategic Human Resources	26	14	5	4	2	1	5	4	3	12	2
	401	257	150	22	35	9	120	18	51	189	26

New Risk Management Methodology Mid-Year 2011-12	No. of Pages	Continuing Risks from Old Register	Continuing Objective Traps	Continuing Issues	Redefined Risks	Newly Registered Risks	Newly Registered Objective Traps	Newly Registered Issues	Total Objective Traps / Issues	Total Registered
Corporate	8	8	0	0	5	6	0	0	0	14
Adults & Business Services	4	3	1	0	0	2	0	0	1	5
Business Planning & Performance	4	2	0	1	1	1	0	0	1	3
Children & Family Services	4	1	1	0	0	5	0	4	5	6
Customer Services	4	5	2	0	0	0	0	0	2	5
Environment Services	6	4	0	1	1	5	0	2	3	9
Finance & Assets	6	6	1	0	0	4	0	1	2	10
Highways & Infrastructure	6	7	2	0	0	7	4	0	6	14
Housing Services	6	8	2	0	4	0	0	0	2	8
Legal & Democratic Services	4	1	0	0	2	3	0	2	2	4
Leisure, Libraries & Community Development	6	5	0	0	1	2	0	0	0	7
Modernising Education	6	8	2	0	2	0	0	0	2	8
Planning, Regeneration & Regulatory Services	8	5	0	0	3	11	0	4	4	16
School Improvement & Inclusion	4	3	0	0	2	1	0	0	0	4
Strategic Human Resources	4	2	0	0	0	1	0	0	0	3
	80	68	11	2	21	48	4	13	30	116

The detailed work behind this data is available as a separate excel workbook from the Corporate Improvement Team.

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Report To: Corporate Governance Committee

Date of Meeting: 11 July 2012

Report Author: Head of Internal Audit Services

Title: Annual Governance Statement 2011/12

1. What is the report about?

1.1. This report presents the Annual Governance Statement (AGS) for 2011/12.

2. What is the reason for making this report?

2.1. The Corporate Governance Committee recommends the adoption of the AGS each year as part of the Council's Statement of Accounts. The Leader and Chief Executive have already signed the AGS.

3. What are the Recommendations?

3.1. Committee recommends adoption of the Annual Governance Statement as part of the Council's Statement of Accounts.

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ANNUAL GOVERNANCE STATEMENT 2011-12

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1. Scope of Responsibility

- 1.1. Denbighshire County Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and that it safeguards and properly accounts for public money, using it economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to arrange to secure continuous improvement in the way in which we operate, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of our affairs, operating effectively and managing risk.
- 1.3. We have a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This Annual Governance Statement explains how we have complied with the Code during 2011-12 and how we meet the requirements of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1. Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable way. It comprises the Council's systems, processes, cultures and values, through which we account to, engage with and, where appropriate, lead our communities. It enables us to monitor whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2. The system of internal control is a significant part of that framework, designed to manage risk to a reasonable level. It is an ongoing process to identify and prioritise the risks to the Council's achievement of its policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. However, the system of internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3. The Council's governance framework has been in place for the year ended 31 March 2012 and up to the date of the approval of the Statement of Accounts.

3. Key Elements of Our Governance Framework

- 3.1. Our Code of Corporate Governance has six key principles, each with a definition of what this means in the Council. This Annual Governance Statement explains how we have delivered against these principles during 2011-12.

Principle 1 - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing our medium & long term vision

Denbighshire County Council will be an excellent Council providing high quality and efficient services to all its citizens and communities, which complements our long-term county vision

- **We are exercising strategic leadership by developing and clearly communicating our Corporate Plan and its intended improvement outcomes.**
- **We ensure that users receive an efficient and effective standard of service, whether directly, in partnership, or by commissioning.**
- **Arrangements are in place to report on activities, performance, financial position and to achieve value for money, although we need to develop a more strategic approach to the efficiency programme.**

- The Council's Corporate Plan for 2009-12 has now come to an end, and County Council elections in May resulted in a new team of elected members to shape a new Corporate Plan for 2012-17. We have already commenced work on the Corporate Plan 2012-17, including a significant amount of research, analysis and engagement; however, we agreed to make no decisions before engaging the new Council, so we will publish our Corporate Plan 2012-17 in autumn 2012.
- We have produced a document to explain the transition between the end of the old Corporate Plan and the introduction of the new Corporate Plan. This explains what has happened to our 2009-12 corporate priorities, including a commitment to complete any outstanding activities identified in the old Corporate Plan. This transition document does not perform the role of an improvement plan, as required by the Local Government Measure. Our new Corporate Plan 2012-17 will fulfil this role, which means that we are producing an improvement plan for 2012-13 later than most other Welsh local authorities. This is intentional, as we feel that it is inappropriate to produce an improvement plan without involving our elected members.
- We review our corporate priorities annually to ensure that they remain relevant, and we will continue to develop an annual corporate plan delivery document that shows what we expect to deliver during each financial year. The 2009-12 corporate priorities remain relevant, although we will mainly deliver and manage these priorities through Service Plans in future.
- There are robust business planning, performance and reporting arrangements in place to help deliver the Corporate Plan, communicate our activities and achievements, financial position and performance. We have revised our Quarterly Performance Reports to Cabinet and Performance Scrutiny to cover all major sources of performance information. This reduces fragmentation and potential duplication in performance reporting.
- The Senior Leadership Team (SLT) has agreed a new approach to target setting to encourage consistency and provide clearer definitions of our RAG system. This will significantly improve our performance management framework, but we need to do some further work to embed this change. We have organised a workshop with

SLT for July 2012 to agree steps to implement the new approach across all our Service Plans and the developing Corporate Plan 2012-17.

- The Wales Audit Office Annual Improvement Report 2012 states that:
“Denbighshire County Council is improving outcomes for residents through better planning, delivery and reporting although there is further to go to achieve its ambitious objectives.”
- Service Performance Challenges are now well established, and we have made amendments to the process to improve their effectiveness. Each meeting now has a bespoke agenda based on actual issues, which means that all the meetings are more focused and relevant. Finance is now a fundamental part of the agenda for the Challenges, where we routinely ask services about their contribution to the efficiency programme, both in terms of performance (achievements to date) and plans.
- Service Performance Challenges result in a Service Position Statement for all services. These Statements feed into the business planning process to ensure that services identify and act on areas for improvement.
- Financial planning is integrating more with business planning and performance management. We are confident that the processes we have in place are resilient, and strengthened since the introduction of finance partners to support services, and the development of our medium-term financial plan.
- The efficiency programme has been successful to date, enabling us to identify approximately £10m savings in 2011-13 without any significant impact on frontline services. However, a more strategic approach is needed as savings become increasingly difficult to achieve without having an impact on our communities.

Principle 2 - Having clear responsibilities and arrangements for accountability

Everyone involved in running the Council understands each other's roles and responsibilities and how, together, they will deliver Denbighshire's medium and long-term vision.

- **We ensure effective leadership throughout the Council and are clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.**
- **We ensure that a constructive working relationship exists between elected members and officers and that they carry out their responsibilities to a high standard.**
- **We are improving our processes to ensure that relationships between the Council and its partners are clear, so that each knows what to expect of the other, although we have concerns that current partnerships and collaborations may not have robust governance frameworks in place.**

- We have revised our Constitution, which we will continue to update as we become clear about the requirements of the Local Government (Wales) Measure 2011. We have implemented all elements of the Measure where we have received Welsh Government guidance, but we are awaiting the final guidance before planning our approach to the remaining elements.
- Our Constitution sets out a clear statement of the respective roles and responsibilities of the Cabinet and its members, other elected members and of senior officers, including where they fit into the organisational structure. It also provides a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decision of the County Council, taking account of relevant legislation.
- We are engaged in the collaboration agenda, as can be demonstrated by the fact that we have taken the opportunity to get involved in, and lead on, a number of regional collaboration projects.
- We have signed up to the Compact, but the role we will play in implementing this requires further clarity.
- To manage collaboration, we have developed political tools, such as joint scrutiny committees with Conwy County Borough Council, and a Denbighshire and Conwy Collaboration Board. However, we need to develop an understanding of how to scrutinise successfully the governance and performance of regional service delivery from a Denbighshire perspective. The Wales Audit Office will be undertaking a local study on collaboration during 2012-13, and we will respond to address any issues identified as a result of that work.
- The Council is recognised as a leader in terms of developing the partnership agenda, with a joint Local Service Board and its integrated strategic partnership plan (The BIG Plan). However, the partnership agenda is extremely challenging and, although we are making progress, it is proving more difficult than anticipated. For example, the work to align the work programmes of the Children & Young

People's Partnerships has proved difficult due to differences in the existing partnerships structures in Conwy and Denbighshire.

- In recognition that the quality of our partnership governance has been inconsistent, we are now developing a framework within which we can plan and monitor partnerships. As part of this work, we will also develop a Partnership Register. However, we realise that this will not cover partnerships and collaborations already in existence that may not have robust governance arrangements and may be based on informal agreements.

Principle 3 - Good conduct and behaviour

Creating a team that can do the job well and whose behaviours are rooted in our core values of Pride, Unity, Respect and Integrity

- **We ensure that elected members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.**
- **We ensure that we put our organisational values into practice and that they are effective.**

- Our Member and Officer Codes of Conduct and our Core Values promote openness, support and respect through the promotion of high ethical standards. These shared values, including leadership values for elected members and officers, reflect public expectations.
- Our various codes of conduct and protocols clearly define the standards of conduct and personal behaviour expected of elected members and officers, including work between elected members and officers and between the Council, its partners and the community.
- We have processes in place for declarations of interest to ensure that prejudice, bias and other conflicts of interest do not influence elected members and officers in dealing with different stakeholders.
- The Standards Committee meets regularly, with a key role of promoting and maintaining high standards of conduct by elected members, co-opted members and church and parent governor representatives.
- The Public Services Ombudsman for Wales' annual report for 2010-11 states that: *"...although there has been a decrease in the number of complaints received by my office, this figure remains above the average. There has also been a decrease in the number of complaints investigated, and this figure is equal to the figure which could be expected. The complaint outcomes indicate a higher than average number of Voluntary Settlements and Premature complaints."*

Principle 4 – Taking informed and transparent decisions that are subject to effective scrutiny and risk management

The development of governance and scrutiny functions as part of our Strong Governance & Leadership Improvement theme

- **We are rigorous and transparent about how we take decisions, listening and acting on the outcome of constructive scrutiny.**
- **We have good quality information, advice and support to ensure that we deliver services effectively and they are what the community wants/needs.**
- **We have improved our risk management processes but some related policies and processes need updating to ensure that we fully embed risk management.**
- **We use our legal powers to the full benefit of the citizens and communities in the area but need to update our Financial Regulations and Contract Procedure Rules.**
- **We still need to improve our processes to ensure that the right information is available in the right format, which encourages knowledge to be created, shared, learned, enhanced and organised for the benefit of the Council and the community.**

- County Council, Cabinet, Scrutiny and regulatory committees advertise meetings publicly and meetings are open to the public unless information is exempt under legislative provisions. We formally record meetings and decisions, and meeting minutes are publicly available.
- We have implemented a new Scrutiny structure, moving away from the previous directorate-based structure. We have based the new committees around the themes of Performance, Partnerships, and Communities. Although the new structure is less than 12 months old, there are signs of improvement. We have reviewed the impact of the new Scrutiny system and reported to Council in February 2012, where members confirmed that the structure should continue in its new configuration.
- Performance Scrutiny members have a lead on a particular service, which enables them to develop knowledge and expertise in specific service areas. They can then bring areas of concern to the attention of the Performance Scrutiny Committee. These lead Performance Scrutiny Members are also part of the Service Performance Challenge for their designated services.
- We have processes in place to safeguard elected members and officers against conflicts of interest.
- The Corporate Governance Committee is effective and operates independently of Cabinet and Scrutiny functions.
- We have effective, transparent and accessible arrangements in place for dealing with customer complaints against services, officers and elected members through 'Your Voice', the Constitution, Standards Committee and disciplinary procedures.
- Arrangements are in place to ensure that County Council, Cabinet and committees receive appropriate professional advice and information on which to base their decisions.

- Our financial management arrangements are strong, and we have received positive reports from the Wales Audit Office through the Annual Letter.
- Until 2011, responsibility for coordinating risk management was part of the remit of the Internal Audit service. Following the review of strategic risk management, the Corporate Improvement Team now coordinates it, aligning it more closely to business planning and performance management.
- This separation of duties also enables Internal Audit to undertake an independent assessment of how effective the risk management process is, which would have been difficult under the previous risk management arrangements. This will take place during 2012-13 once the new processes have had time to embed.
- Although we feel confident that this new approach significantly improves our ability to manage risk effectively, the new system is in its infancy and there is more work required to ensure complete consistency between the corporate and service risk registers. We also need to ensure that existing controls are clear and tangible, and can therefore be tested effectively.
- We also need to embed the scrutiny of risk registers into the Service Performance Challenges, and carry out more work to integrate the new approach with the management of risk for projects.
- We have whistleblowing and anti-fraud and corruption policies in place, but we need to revise these to take account of the Bribery Act 2010.
- We have an effective, independent and objective internal audit service that has open access to the Chief Executive Officer and Corporate Governance Committee.
- We have not made sufficient progress in developing policies and processes to govern the management and secure handling, storage, disposal and sharing of information assets. This was a Significant Governance Issue in last year's Annual Governance Statement and remains so this year.
- We need to develop a more consistent approach to the use of information to support strategic planning and decision-making. An initial project is now underway to scope the current demand for information / data and explore options for organising information to meet that demand. This will enable us to manage the external environment better, and identify those opportunities and threats more easily.

Principle 5 – Developing skills and capacity

One of the Council's strategic aims set out in our Statement of Intent by supporting, training and developing our staff and elected members to maintain an adaptable, skilled and flexible workforce to meet future challenges and adapt to new priorities

- **We make sure that elected members and officers have the skills, knowledge, experience and resources they need to perform well in their roles but need to improve the regularity and quality of officer appraisals. We have focused on improving completion rates for the past two years, but we plan to focus more on the quality element during 2012-13. We will also need to carry out a needs assessment for elected members following the May 2012 elections.**
- **We are developing the capability of people with governance responsibilities and developing processes to evaluate their performance as individuals and as a group.**
- **We encourage new talent for the organisation so that best use can be made of individuals' skills and resources in balancing continuity and renewal. However, we recognise the need for more flexibility in the workforce for future service delivery.**

- We have a new member training and development plan to make sure that elected members and officers have the skills, knowledge, experience and resources they need to perform well in their roles. However, we will need to carry out a full needs assessment to ensure that elected members continue to receive the training and development they need to perform their roles effectively.
- We have implemented a new employee appraisal process, but need to improve the completion rate and quality of appraisals to ensure that we continue to manage employee performance, identify emerging talent and provide the training and development they need. We are developing a concept (initially called “the Hwb”) which will enable the council to identify the necessary capacity within our existing workforce to deliver projects to support our new Corporate Plan. We will undertake an equality impact assessment as the concept develops to ensure that the proposal treats all groups of staff fairly.
- We have made some improvements to workforce planning and the way it makes use of its staff to achieve improvement; however, we recognise that we need to do more to improve the flexibility of the workforce to enable us to utilise members of staff in the areas of greatest need.
- We have provided extensive leadership training to several tiers of management and are working on a process to identify emerging talent through the new appraisals process.
- We are an outward looking organisation that actively seeks contributions from other public sector agencies and the private, voluntary and community groups to assist the county and the Council. We have developed a new Corporate Engagement Strategy for implementation from May 2012.
- We have developed Member Area Groups to disseminate local information to councillors, and we are strengthening our relationship with Town and Community

Councils (T&CC) through a recently developed Charter, which formalises the roles and responsibilities of each party.

- We hold quarterly Middle Manager Conferences to engage our senior managers, develop emerging talent and use the skills and resources that exist within our services.
- Officers and elected members have the opportunity to feed ideas back to the Council through Your Voice and the Bright Ideas suggestion scheme.

Principle 6 - A high-performing Council, closer to the community

Through engaging local people and other stakeholders to ensure robust public accountability

- **We have improved our scrutiny function, which effectively engages local people and all local stakeholders, including partnerships, and develops constructive accountability relationships.**
- **We take an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery, whether directly by the Council, in partnership or by commissioning. However, we need to ensure consistency and co-ordination in our engagement across the organisation.**
- **We make best use of human resources by taking an active and planned approach to meet responsibility to staff.**

- The Wales Audit Office Annual Improvement Report 2012 states that:
“The Council has made good progress with its planned actions to improve the way it works and become ‘a high performing council, close to the community.’”
- Scrutinising arrangements are in place to engage with local people and associated stakeholders to assist in the scrutiny process. We implemented new Scrutiny arrangements from May 2011, which shows signs of improvement. We have reviewed the impact of the new Scrutiny system and reported to Council in February 2012, where members confirmed that the structure should continue in its new configuration.
- Senior management and elected members receive and consider internal audit and external regulator reports. Internal Audit introduced revised follow up processes during the year to hold Heads of Service accountable for improvements within their services. This had led to improved implementation rates by the agreed date.
- We hold Council, Cabinet and committee meetings in public unless there are good reasons for confidentiality.
- We communicate effectively with our communities and stakeholders, although more work is required to understand whether our approach to engagement is consistent across the organisation. Although most Council services consult or engage with residents or service users in some form or other, we recognise that we lack a consistent approach to how or when we consult. This can result in duplication; inconsistencies in the approach; missed opportunities to share valuable data; and inconsistencies in how we analyse and use the information.
- We publish an annual performance report and Statement of Accounts, making our final accounts available to the public in accordance with legislation.
- We have a ‘Progress Through People’ framework to encourage and promote a culture of engagement and recognition amongst our employees. There are six key strands of ‘Employee Engagement and Communication’; ‘Good Employer’; ‘Staff Recognition’; ‘Healthy Workforce’; ‘Workforce Planning’ and ‘Workforce Development’.
- We carried out a staff survey in 2011, and developed an action plan as a result.
- Other key developments include:
 - our Intranet - this is seen as one of the most vital tools of internal communications;

- monthly core briefs for team briefings;
- Excellence Denbighshire – an annual awards ceremony that celebrates good practice, awards outstanding performance and recognises staff achievement; and
- Bright Ideas – the staff suggestion scheme.

4. Review of Effectiveness

- 4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The outcomes of this are contained within the six key principles above, informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and by comments made by the external auditors and other review agencies and inspectorates.
- 4.2. We have maintained, reviewed and improved the effectiveness of the governance framework by carrying out the following:
- The Monitoring Officer and Corporate Governance Committee regularly review the Constitution. This work is ongoing during the implementation of the Local Government (Wales) Measure 2011. Our Head of Legal and Democratic Services is leading on our response to the Measure. We have implemented all elements of the Measure where we have received Welsh Government guidance, but we are awaiting the final guidance before planning our approach to the remaining elements.
 - The Head of Finance & Assets regularly reviews financial controls and is in the process of restructuring the Finance service. This will ensure that the Finance team continues to support services in the most efficient manner and bring a greater focus on value for money, compliance and efficiency within services.
 - We have reviewed our Strategic Risk Management process, transferring the co-ordination to the Corporate Improvement Team. This provides better governance by allowing Internal Audit to objectively review risk management now that it has no management responsibilities in this area. This independent review will commence in 2012-13 to allow the risk management process time to embed.
 - Our Internal Audit service is risk-based and ensures that it aligns its work with the Corporate Risk Register and requirements of the Council's S151 Officer. During 2011-12, the service completed all of its planned work in financial and high corporate risk assurance areas to allow the Head of Internal Audit to produce the Annual Internal Audit Report that provides an overall assessment on the adequacy of the Council's internal control environment and raises any significant areas of concern.
 - The Wales Audit Office reviews Internal Audit annually to ensure that it meets the required professional standards, but no report was available at the time of developing this Annual Governance Statement.
 - We act on external audit and other review agencies reports, developing action plans for Scrutiny Committee monitoring. Corporate Governance Committee maintains an overview of these action plans.
 - We have Scrutiny and other committees, including Corporate Governance and Standards Committees to monitor performance, conduct, risk management, external and internal regulator reports etc. Corporate Governance Committee actively holds senior management to account if they do not act on regulatory reports.

- We regularly monitor performance against the Corporate Plan, service plans and key targets, reporting of this to senior management and elected members.

4.3. We are aware of the implications of the results of the review of effectiveness of the governance framework plan to address weaknesses to ensure that a continuous improvement of the system is in place. The Head of Internal Audit Services will develop an action plan that the Corporate Governance Committee will monitor during 2012-13. The action plan will include the significant governance issues outlined below, as well as any less significant issues identified during the review of the governance framework.

5. Significant Governance Issues

Issue	Action	Responsibility & Timescale
<p>Information Governance We have not made sufficient progress in developing policies and processes to govern the management and secure handling, storage, disposal and sharing of information assets. This was a Significant Governance Issue in last year's Annual Governance Statement and remains so this year.</p> <p>We need to develop a more consistent approach to the use of information to support strategic planning and decision-making.</p>	<p>Responsibility for Information Governance has now passed to the Head of Business Planning & Performance who will develop an action plan to deal with any outstanding issues.</p> <p>Freedom of Information Exemptions Panel already set up to improve governance.</p> <p>Internal Audit review in 2012-13 of Data Protection Act and Freedom of Information to provide a more detailed review of these two key areas of information management</p> <p>An initial project is now underway to scope the current demand for information / data and explore options for organising information to meet that demand. This will enable us to manage the external environment better, and identify those opportunities and threats more easily.</p>	<p>Head of Business Planning & Performance 31 October 2012</p> <p>n/a</p> <p>Head of Internal Audit 30 September 2012</p> <p>Head of Business Planning & Performance 31 July 2012 (for completion of initial scoping exercise)</p>

5.1. We propose over the coming year to take steps to address the above matters to enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: (Leader) 2012

Signed: (Chief Executive) 2012

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Report To: Corporate Governance Committee

Date of Meeting: 11 July 2012

Report Author: Head of internal Audit Services

Title: Draft Internal Audit Annual Report 2011/12

What is the report about?

This report presents the Head of Internal Audit's Annual Report for 2011/12 (Appendix 1). The previous Corporate Governance Committee approved a draft version before the end of 2011/12 but this Committee needs approve the final version.

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.

What is the reason for making this report?

The Code requires an annual report to the audit committee or its equivalent.

What are the Recommendations?

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

Appendix 1 – Annual Internal Audit Report 2011/12





1. Audit Opinion

1.1. The overall adequacy and effectiveness of the organisation's internal control environment is defined as the policies, procedures and operations in place to:

- establish and monitor the achievement of the organisation's objectives;
- identify, assess and manage the risks to achieving the organisation's objectives;
- facilitate policy and decision-making;
- ensure the economical, effective and efficient use of resources; and
- ensure compliance with established policies, procedures, laws and regulations.

1.2. Considering this definition, I have based my 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.

1.3. Using the new assurance ratings from our Internal Audit Reports shown in the table below, in my opinion, Denbighshire County Council can have 'medium' assurance in the overall adequacy and effectiveness of its internal control environment, including its arrangements for governance and risk management.

	High Assurance
	Medium Assurance
	Low Assurance
	No Assurance

1.4. There are no qualifications to this opinion.

Issues Relevant to the Annual Governance Statement

1.5. There are no issues to report. Management has dealt with any high risk issues identified in our reports during the year.

Management's response to issues raised by Internal Audit

1.6. Most of our Internal Audit reports identify risks and control weaknesses. We rate these as critical, major or moderate risk. Management agrees actions to address the risks, including responsibilities and timescales.

1.7. We report all instances where management fails to respond to our follow up work or where, in our opinion, they are failing to address risks raised in our reports satisfactorily and promptly. We had to report two services to Corporate

Governance Committee during the year for not responding to our follow up requests but these have been addressed and the two services now provide information within timescale.

- 1.8. During 2011/12, we issued an Internal Audit report on St. Brigid's School, Denbigh with an audit opinion rating of 1 (overall management is very poor, with significant improvements urgently needed). The report was discussed at a case conference on 4 October 2011 and an action plan agreed. Our follow up review is in progress and we will report this to the next Corporate Governance Committee.

Internal Audit Performance

Measure - We will review 100% of high-risk areas from the Corporate Risk Register in the financial year

- 1.9. Work is complete or in progress on all 16 high risks due for review.

Measure - We will review 100% of financial assurance areas in the financial year

- 1.10. Work is complete in all 5 areas due for review.

Measure - We will commence, carry out and report on audit projects promptly

- 1.11. We measure the time taken to complete audit projects from the start date agreed with the customer to when we issue the final report. Since introducing our new customer-focused approach in April 2011, the average time taken to complete a project has dropped from 165 days to 70 days, a 58% improvement.

Measure - We will follow up issues raised in our reports promptly to ensure that services implement improvements and address risks

- 1.12. We also measure the time taken by services to implement actions agreed in our reports. Since we commenced the new process in May 2011, the average time to deal with a follow up has dropped from 440 days (2010/11 performance) to 30 days, a 93% improvement.

- 1.13. In addition, we are spending 50% less time following up actions, which means we are achieving improved results with less input.

Measure - We aim to deliver customer satisfaction in terms of auditor performance, report accuracy, prompt reporting and usefulness of our reviews.

- 1.14. During the year we received feedback on 26 occasions, 24 (92%) of which expressed that they were either satisfied or very satisfied with our service. We used any suggestions for improvement from these and the 2 dissatisfied customers to improve our service further.

Compliance with the Code of Practice Standards

- 1.15. The Wales Audit Office (WAO) reviews our service annually, but does not produce a formal report. The WAO has raised no issues of concern with the service.

Delivery of the Internal Audit Strategy 2011/12

- 1.16. The table below provides a breakdown of our work during 2011/12, compared to the revised operational plan that this Committee agreed in November 2011. It includes 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.

Internal Audit Work 2011/12

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Actual Days	Current Status	Audit Assurance	No. of Issues High/Critical	No. of Issues Medium/Moderate	Comments
Financial Assurance								
Capital Planning & Strategic Procurement	50	50	48	Complete	4 3	0	5	Separate Audit Assurance provided for Capital Planning & Procurement
Income security reviews 2011/12	15	12	12	Complete				
Cashiers & Postal Operations	10	19	19	Complete	4	0	2	
IDEA Testing on Financial Systems	10	19	19	Complete	4	0	0	
Financial Systems – Rhyl based areas	35	45	45	Complete	4	0	6	
Financial Systems – Ruthin based areas	45	40	48	Draft report				
Programme & Project Management	0	0	3	In progress				
Sundry Debtors – additional work arising from Revenues review	0	0	16	In progress				• Review of low value invoicing and volumes of credit notes
Creditors – additional work arising from Finance review 2010/11	0	0	42	In progress				• Review of payments with no purchase order issued
Purchasing & Creditors	0	0	1	Complete	3	0	6	• B/fwd from 2010/11
Income security reviews 2010/11	0	0	4	Complete				• B/fwd from 2010/11
	165	185	257					
Corporate Assurance								
Highways & Infrastructure – Major Projects	35	35	31	Draft report				
Information Governance	20	20	16	Complete				• Business Transformation Project
Modernising Education	10	2	1	Complete				• Monitored through various Cabinet & committee reports
Performance Management	15	15	1	Preparation				• Programmed for March 2012

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Actual Days	Current Status	Audit Assurance	No. of Issues High/Critical	No. of Issues Medium/Moderate	Comments
Themed School Visits	50	20	10	Cancelled				•Cancelled due to Estyn Inspection
Housing Maintenance	25	25	3	Preparation				•Scope being agreed with Head of Service. Project to commence March 2012
Strategic Human Resources	20	20	31	In progress				•Review expanded and nearing completion
Sustainability & Climate Change – Ph 1	15	13	3	Complete	4	0	2	
Sustainability & Climate Change – Ph 2			10	Complete	3	0	2	
Housing Enforcement	10	10	10	Complete				•Informal review only. No audit opinion.
Refuse Collection & Waste Management	25	10	1	Preparation				•Reprogrammed for 2012/13
Community Enforcement	15	20	4	Preparation				•Reprogrammed for 2012/13
Adult Services – Commissioning Social Care	50	16	21	Complete	5	0	3	
Asset Management	3	2	2	Complete				
Corporate Health & Safety	10	10	6	In progress				
Partnerships - Corporate	45	45	43	Complete	2	0	8	
Partnerships – Wales Penalty Processing Partnership				Complete	4	0	1	
Children & Family – Service Location	50	33	17	Complete				•Review of logistics of service. No audit opinion.
Children & Family – Lone Working Practices			10	In progress				
Social Services – CIS Contingency Plans	0	4	5	Complete	3	0	4	
School Meals Service	1	1	1	Complete				
Royal International Pavilion	0	25	26	Complete	3	0	7	

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Actual Days	Current Status	Audit Assurance	No. of Issues High/Critical	No. of Issues Medium/Moderate	Comments
Corporate Governance Framework	5	5	6	In progress				
Corporate Health & Safety – Asbestos Management	0	0	13	Complete	3	0	7	•B/fwd from 2010/11
Arms Length Organisations	0	2	1	Complete				• Informal assurance through discussion
Leisure Centres	0	7	3	Complete				• Systems Thinking review of management system / sundry debtor invoicing
Community Building Management	0	10	19	In progress				
Pavilion Theatre, Rhyl	0	25	7	In progress				
School Transport	0	0	11	In progress				• Joint project requested with CCBC
	607	375	312					
Follow Up Assurance								
Follow up of previous IA reviews	100	70	50					
Special Projects, Investigations, Fraud & Corruption Assurance								
Planning Application complaint	100	100	4	Complete				• Review of complaint
Rhuddlan Nature Reserve complaint			9	Complete				• Review of complaint
National Fraud Initiative			11	Complete				• Facilitation role for national data-matching exercise
Housing Maintenance			11	Complete				• Passed to Strategic HR for investigation
Contractor investigation following alleged fraud in Conwy CBC			3	Complete				• No evidence of fraud in DCC
Rhyl Youth Action Group			8	Complete				• Investigation on behalf of Welsh Government
Trade Refuse Collection			1	Complete				• Review of complaint

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Actual Days	Current Status	Audit Assurance	No. of Issues High/Critical	No. of Issues Medium/Moderate	Comments
Denbighshire Enterprise Agency			4	Complete				• Review of complaint
Contractor investigation following anonymous letter			2	Complete				• Discussed with police but not pursued
Licensing & Safeguarding			2	In progress				• Corporate Director requested for review of taxi licensing issues
Purchasing Cards			8	In progress				• Case passed to police
Proactive & Reactive work - general			3					
	100	100	66					
Welsh Government Assurance								
St. Brigid's School, Denbigh	20	47	51	Complete	1	0	23	
Post 16 PLASC returns	10	15	20	Complete	4	0	0	
Prestatyn High School	15	18	19	Complete	4	0	3	
Ysgol Glan Clwyd, St. Asaph	15	18	18	Complete	3	1	5	
Grant Certification	35	35						
- Breakfast Initiative Grant			5	Complete				• Certification only – no report
- Community Focused Grant			5	Complete				• Certification only – no report
- Learning & Assessment Grant			9	Complete				• Informal report only
Education Grants Management			11	Complete			1	• Informal report only. No audit opinion
Ysgol Brynhyfryd, Ruthin	0	0	3	Complete	4	0	3	• B/fwd from 2010/11
	95	133	141					
Consultancy & Corporate Work								
Research & Horizon Scanning	250	185	33					
CET/SLT/Committees etc			50					
Project & Working Groups			27					
Guidance & Advice			42					

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Actual Days	Current Status	Audit Assurance	No. of Issues High/Critical	No. of Issues Medium/Moderate	Comments
IA Collaboration Partnership	50	50	43					
	300	235	195					
External Contracts								
North Wales Police Authority	200	184	179					• Agreed by contract
Countryside Council for Wales	165	180	184					• Agreed by contract
School Fund Audits	5	45	44					• Additional requests for audits from schools some presenting 2-3 years accounts for audit
	370	409	407					
Internal Audit Support Areas								
Management & Admin	300	350	353					
Training	50	90	117					• Increase due to staff turnover during year.
	350	440	470					
Total Days	2087	1947	1898					

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Report To: Corporate Governance Committee

Date of Meeting: 11 July 2012

Report Author: Head of Internal Audit Services

Title: Internal Audit Progress Report

1. What is the report about?

This report updates the Committee on the latest progress of the Internal Audit service in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

2. What is the reason for making this report?

To bring Members up to date regarding:

- delivery of our Operational Plan for 2012/13
- recent Internal Audit reports issued
- management's response to issues we have raised
- Internal Audit's performance

3. What are the Recommendations?

- Committee considers and comments on Internal Audit's progress and performance to date in 2012/13
- Committee considers and comments on recent Internal Audit reports issued
- Committee considers the responses to our follow up work





4. Internal Audit Progress

Delivery of the Internal Audit Strategy 2012/13

- 4.1. Appendix 1 provides a breakdown of our work during 2012/13, compared to the agreed Internal Audit Strategy It includes 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.

Summary of Recent Internal Audit Reports

- 4.2. Our reports use colours for assurance ratings as follows:

	High Assurance	Risks and controls well managed
	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference

4.3. Since my report in March 2012, we have issued the following reports.

Audit Report	Audit Opinion	Issues Raised			Comments
		Critical Risk (Red)	Major Risk (Amber)	Moderate Risk (Yellow)	
Programme & Project Management	N/A	0	0	2	Overview only, so no overall Assurance Opinion provided
Community Building Management - Rhyl Town Hall	Yellow	0	0	10	Action Plan followed up and is being implemented
Corporate Risk - Asset Portfolio	N/A	0	0	0	Overview only, so no overall Assurance Opinion provided
Highways & Infrastructure - Major Projects	Yellow	0	2	7	
Financial Systems Assurance Testing (IDEA) 2011-12	Green	0	0	0	
Welsh Government Breakfast Initiative Grant	Green	0	0	0	No formal report - Email confirmation to Welsh Government only
Financial Services - Phase 2 (Ruthin services)	Green	0	0	3	

Management's response to issues raised by Internal Audit

4.4. Most of our Internal Audit reports identify risks and control weaknesses. We rate these as either critical, major or moderate risk. Management agrees actions to address the risks, including responsibilities and timescales.

4.5. We report all instances where management fails to respond to our follow up work or where, where they exceed the agreed implementation date by more than three months. This Committee decides whether it needs to take further action, for example, by calling the relevant people to its next meeting to explain lack of progress.

4.6. There are currently no actions outstanding or exceeding the three-month deadline.

Internal Audit Performance – Key Measures

Measure - Review 100% of agreed S151 Assurance areas in Operational Audit Plan by 31 March 2013

4.7. We complete most of our work in financial areas during the second half of the year, but so far have complete 20% of the planned projects.

Measure - Review 100% of agreed Corporate Governance Assurance areas in Operational Audit Plan by 31 March 2013

4.8. Work is in progress ongoing on the Corporate Governance Framework throughout the year. We will review risk management in the second half of the year.

Measure - Review 100% of agreed High Corporate Risk Assurance areas in Operational Audit Plan by 31 March 2013

4.9. There are currently six high risks in the Corporate Risk Register. We have completed work in one area and work is nearly complete in a second.

Measure - Head of Internal Audit to produce Annual Internal Audit Report by 31 May 2013

4.10. Not yet due

Appendix 1

Internal Audit Work 2012/13 – progress as at 24 June 2012

Internal Audit Operational Plan	Original Planned Days	Actual Days	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
Financial Assurance								
Financial Systems – Rhyl based	60	0	Not started					Provisionally planned for Jul/Aug 12
Financial Systems – Ruthin based	40	0	Not started					Provisionally planned for Jan 13
Financial Systems Assurance Testing (IDEA) 2011-12		20	Complete	Green	0	0	0	
Programme & Project Management	15	2	In progress					
Procurement	15	0	Not started					Planned for Aug 12
Grant & Other Certification Assurance								
Sustainability/Climate Change	12	0	Not started					Planned for Jun/Jul 12
Welsh Government (WG) Education Grant Certification	25							
- Breakfast initiative Grant		4	Complete		0	0	0	
WG 6 th Form Funding – Ysgol Dinas Bran, Llangollen	10	1	In progress					
WG Student Finance Certification	15	1	Preparation					Planned for Jul 12
WG Adult Education Certification	8	4	In progress					
Corporate Governance Assurance								
Risk Management	20	0	Not started					
Corporate Governance Framework	30	4	In progress					
Performance Management	10	1	Prepared					Planned for Jul 12

Internal Audit Operational Plan	Original Planned Days	Actual Days	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
High Corporate Risk Assurance								
The risk of a serious safeguarding error where the Council has responsibility	10	12	In progress					
The risk that we are unable to develop the staff and management capability to deliver the change agenda	5	5	Complete		0	0	0	
The risk that the time and effort invested in collaboration is disproportionate to the benefits realised	15	0	Not started					
The risk that the economic environment worsens beyond current expectations, leading to additional demand on services and reduced income	5	0	Not started					Planned for Oct 12
The risk that strategic ICT infrastructure does not enable improvement and support change	10	0	Not started					Planned for Dec 12
The risk that our asset portfolio becomes an unmanageable liability and an obstacle to strategic planning	5	0	Not started					
Risk-based Assurance in Services								
Adult Services								
Intake & Reablement	10	0	Not started					
Learning Disabilities & POVA	15	0	Not started					
Direct Care Costs & Placements	15	0	Not started					Planned for Oct 12

Internal Audit Operational Plan	Original Planned Days	Actual Days	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
Business Planning & Performance								
Equalities	15	0	Not started					
Information Governance	10	0	Not started					
Children's Services								
Children's Services general	35	0	Not started					
Lone Working Practices	0	5	Complete					2011/12 employee survey
Customer & Education Support								
Cashiers Services	5	0	Not started					
Modernising Education	10	0	Not started					
ICT								
IT Service Desk, Incident & Problem Management	20	0	Not started					Planned for Feb 13
IT Service Continuity Management	2	0	In progress					
IT Operations Management	20	1	Preparation					Planned for Jul/Aug 12
IT Configuration	15	0	Not started					
IT Project Management	15	0	Not started					Planned for Sep 12
Education								
School Improvement	60	0	Not started					
Rhyl High School	15	0	Not started					Planned for Dec 12
St. Brigids School	10	0	In progress					
Environment								
Trade Refuse	25	6	In progress					
Sign Shop	20	0	Not started					
Countryside Services	25	0	Not started					
Public Realm	40	12	In progress					

Internal Audit Operational Plan	Original Planned Days	Actual Days	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
Finance & Assets								
Travel & Subsistence	20	23	In progress					
Property Management	20	0	Not started					Planned for Aug 12
Revenues Customer Service	10	0	Not started					
Highways & Infrastructure								
Passenger Transport	15	0	Not started					
Business Continuity Planning	2	0	In progress					
Traffic & Transportation	20	0	Not started					
Street Lighting	15	0	Not started					
Major Projects (2011/12 project)	0	2	Complete	Yellow	0	2	7	2011/12 Project
Home to School Transport	0	16	Draft report					Collaboration project with CCBC Internal Audit
Housing & Community Development								
Housing Services	20	0	Not started					
Strategic Regeneration	25	1	Preparation					Planned for Sep 12
Housing Maintenance	0	13	In progress					2011/12 project
Legal & Democratic Services								
Democratic Services	5	0	Not started					
Communication, Marketing & Leisure								
Data Protection & FOI	20	17	In progress					
Archives Service	20	0	Not started					
Leisure Services	1	0	Not started					
Community Buildings - Rhyl Town Hall	0	6	Complete	Yellow	0	0	10	2011/12 project
Pavilion Theatre, Rhyl	0	20	In progress					2011/12 project

Internal Audit Operational Plan	Original Planned Days	Actual Days	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
Planning & Public Protection								
Community Enforcement	30	0	Prepared					
Food & Health & Safety Enforcement	10	0	Not started					
Trading Standards	10	0	Not started					
Strategic Human Resources								
Corporate Health & Safety 12/13	15	0	Not started					
Strategic HR	0	13	Draft report					2011/12 project
Corporate Health & Safety 11/12	0	5	In progress					2011/12 project
External Work								
Countryside Council for Wales	165	45	In progress					Contract work
North Wales Police Authority	200	33	In progress					Contract work
School Fund Audits	30	10	In progress					On request
Contingencies								
Consultancy & Corporate Work	185	29	In progress					
Follow up reviews	40	7	In progress					
IA collaboration	50	1	In progress					
Frauds & Investigations	80							
-National Fraud Initiative 10/11		2	Complete					
-Purchasing Cards		2	Complete					
-Ysgol Clawdd Offa		6	Complete					
Internal Audit Management & Support								
Management & Admin	350	83						
Training	70	17						
Totals	2120							

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REPORT TO: CORPORATE GOVERNANCE COMMITTEE
 DATE: 11 July 2012
 REPORT BY: HEAD OF LEGAL AND DEMOCRATIC SERVICES
 SUBJECT: COMMITTEE FORWARD WORK PROGRAMME 2012/2013

DATE OF MEETING	REPORT	AUTHOR
5 September 2012	<p>Standing Items</p> <p>Issues Referred by Scrutiny Committees Recent External Regulatory Reports Received Internal Audit Progress Report</p> <p>Reports</p> <p>Treasury Management Review 'Your Voice' Feedback – Annual Report</p> <p>Approval of Statement of Accounts (Audit Committee in September)</p>	<p>Scrutiny Coordinator Corporate Improvement Manager Head of Internal Audit</p> <p>Head of Finance and Assets Corporate Complaints Officer</p>
14 November 2012	<p>Standing Items</p> <p>Issues Referred by Scrutiny Committees Recent External Regulatory Reports Received Internal Audit Progress Report</p>	<p>Scrutiny Coordinator Corporate Improvement Manager Head of Internal Audit</p>

	<p>Reports</p> <p>Regulation of Investigatory Powers Act 2000 (RIPA) Constitutional Issues Annual 'Your Voice' Report Treasury Management Update</p>	<p>Corporate Governance Solicitor Head of Legal & Democratic Services Corporate Complaints Officer Head of Finance and Assets</p>
27 February 2013	<p>Standing Items</p> <p>Issues Referred by Scrutiny Committees Recent External Regulatory Reports Received Internal Audit Progress Report</p> <p>Reports</p> <p>Internal Audit Strategy 2013/14 Treasury Management Strategy</p>	<p>Scrutiny Coordinator Corporate Improvement Manager Head of Internal Audit</p> <p>Head of Internal Audit Head of Finance and Assets</p>
10 April 2013	<p>Standing Items</p> <p>Issues Referred by Scrutiny Committees Recent External Regulatory Reports Received Internal Audit Progress Report</p> <p>Reports</p> <p>Internal Audit Annual Report 2012/13 Review of the Constitution</p>	<p>Scrutiny Coordinator Corporate Improvement Manager Head of Internal Audit</p> <p>Head of Internal Audit Head of Legal & Democratic Services</p>
22 May 2013	<p>Standing Items</p>	

	<p>Issues Referred by Scrutiny Committees Recent External Regulatory Reports Received Internal Audit Progress Report</p> <p>Reports</p> <p>Draft Annual Governance Statement 2012/13</p>	<p>Scrutiny Coordinator Corporate Improvement Manager Head of Internal Audit Services</p> <p>Head of Internal Audit</p>
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NB The exact date of publication of occasional reports by for example Wales Audit Office or Annual Reports by the Ombudsman are not presently known. They will be assigned a meeting date as soon as practicable.

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