

CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 22 May 2013 at 9.30 am.

PRESENT

Councillors Brian Blakeley, Stuart Davies, Gwyneth Kensler and Jason McLellan (Chair) and Paul Whitham (Lay Member)

Observers: Councillor Meirick Lloyd Davies and Councillor Julian Thompson Hill

ALSO PRESENT

Corporate Improvement Team Manager (TW), Head of Legal and Democratic Services (RGW), Head of Finance and Assets (PMc), Head of Internal Audit (IB), Audit Manager (BS), Wales Audit Office Representatives (GB and AV) and Committee Administrator (SLW).

1 APPOINTMENT OF CHAIR

The Head of Legal and Democratic Services welcomed everyone to the meeting and introduced the item of appointment of Chair.

Councillor Brian Blakeley nominated Councillor Jason McLellan and Councillor Gwyneth Kensler seconded the motion.

There was a unanimous show of hands in agreement.

The new Chair welcomed Councillor Brian Blakeley as a new Member of Corporate Governance Committee. Councillor Peter Duffy was also a new Member of the Committee but was not in attendance.

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

2 APPOINTMENT OF VICE-CHAIR

Councillor Jason McLellan nominated Councillor Gwyneth Kensler and Councillor Brian Blakeley seconded the motion.

There was a unanimous show of hands in agreement.

***RESOLVED** that Councillor Gwyneth Kensler be appointed Vice-Chair of the Corporate Governance Committee for the ensuing year.*

3 APOLOGIES

Apologies for absence were received from Councillors Martyn Holland

4 DECLARATION OF INTERESTS

None.

5 URGENT MATTERS

None.

6 MINUTES

The minutes of the Corporate Governance meeting held on 10 April 2013 were submitted.

Matters Arising :-

Item 9, Page 12 – Whistleblowing – Mr Paul Whitham requested an update.

The Head of Legal and Democratic Services (HLDS) confirmed that the Policy would be available for third parties where entering into arrangements with the Authority.

Item 10, Page 13 – Mr Paul Whitham referred to the issue of poor attendance at Scrutiny training sessions and stated that in other Local Authorities in Wales, such matters were referred to Standards Committee. Mr Whitham requested this be considered and followed up.

The HLDS confirmed that the service and Councillor Barbara Smith were currently carrying out work on Member training. Personal training plans for Members were being developed. There had been a member workshop on training and this was to be repeated in the coming weeks in an evening session in the Rhyl area to enable more members to attend.

The question of improving attendance was being looked at as part of the workshop.

RESOLVED that subject to the above, the minutes be received and approved as a true and correct record.

7 ANNUAL IMPROVEMENT REPORT : DENBIGHSHIRE COUNTY COUNCIL

The Corporate Improvement Manager introduced a report (previously circulated) which provided information regarding the last Annual Improvement Report (AIR) for Denbighshire County Council issued by the Wales Audit Office (WAO). This was a key external regulatory report received by the Council each year.

Mr Gwilym Bury of the WAO presented the report findings. It was one of the requirements under the Government Measure that the WAO had to produce an AIR. The AIR's produced for all the Local Authorities were available on the Welsh Government website for viewing.

The report was in three main sections.

Within the first part of the report it was concluded that the Council was making good progress in delivering improvement in its priority areas:

- Performance continued to improve in most aspects of the Council's work to adapt service delivery to address demographic change;
- There had been progress in supporting regeneration projects in Rhyl but, in challenging economic times, progress had been slow in supporting economic growth across Denbighshire as a whole;
- Estyn had judged that the Council provided good quality education services for children and young people and that prospects for further improvement were good;
- The Council's programme to improve roads was progressing but, following the 2012 floods, an independent investigation would determine whether actions were needed to ensure flood risk in the County would be appropriately managed in the future;
- The Council continued to make good progress with its planned actions to improve the way it worked.

The second part of the report found that the Council's corporate performance management arrangements support reliable self-evaluation but there was scope to improve the quality of some of the evidence the Council used to judge its effectiveness.

Finally, the third part of the report set out the views of the WAO on how well the Council was planning for, and making arrangements to support improvement. It was concluded that the Council's arrangements to support improvement were good. In particular:

- The Council had discharged its improvement reporting duties under the Measure;
- The Council had complied with its responsibilities under the Equality Act 2010 and its Welsh Language Scheme;
- The Council continued to make good progress in addressing the proposals for improvement identified in the previous WAO assessments.

It had been concluded that there were no new recommendations this year. The report set out the progress the Council was making to address the recommendations and proposals for improvement made in the previous WAO report.

Following a brief discussion it was reported that Alan Smith had been identified as the Council's Senior Risk Officer and he would be monitoring the risks and would ensure that the Corporate Risk Register was up to date and comprehensive.

The issue was also raised as to whether the Corporate Risk Register should be brought to Corporate Governance Committee. The HLDS stated that the Corporate Governance Committee needed to be satisfied that adequate systems were in place for risk. The HLDS would discuss the matter with the Corporate Improvement Team and Internal Audit and then refer back to Corporate Governance Committee for Members views.

The HLDS also stated that the Scrutiny Chairs and Vice-Chairs Group was to be consulted as to where the Corporate Risk Register should be presented, whether to Performance Scrutiny Committee or to the Corporate Governance Committee.

Once this issue had been discussed, it would be referred to Corporate Governance Committee.

RESOLVED that subject to the above, the Annual Improvement Report by the Welsh Audit Office be accepted.

8 INTERNAL AUDIT PROGRESS REPORT

The Head of Internal Audit (HIA) presented the Internal Audit Progress Report (previously circulated).

The HIA updated Members regarding:

- Recent Internal Audit reports issued
- Management's response to issues raised.

There were longer term actions regarding Data – 3 moderate risks outstanding. Two of these were to be moved to “action in progress” in October 2013 and one in April 2014.

The HIA enquired if further information was required within the reports and whether the attendance of the relevant Managers would prove to be useful.

RESOLVED that the Committee received and noted the Internal Audit Progress Report.

At this juncture (10.35 a.m.) there was a break.

Meeting reconvened at 10.55 a.m.

9 INTERNAL AUDIT ANNUAL REPORT 2012 / 13

The Head of Internal Audit (HIA) presented the Internal Audit Annual Report (previously circulated).

The Chartered Institute of Public Finance and Accountancy (CIPFA) “Code of Practice for Internal Audit in Local Government in the United Kingdom” (2006), and the Chartered Institute of Internal Auditors (CIIA) Internal Audit Standards both require the “Head of Internal Audit” to provide an Annual Report to the Audit Committee.

The Internal Audit Annual Report:

- Provided Internal Audit's opinion on the overall adequacy and effectiveness of the Council's internal control environment;

- Disclosed any qualifications to Internal Audit's opinion, together with the reasons for the qualification;
- Presented a summary of the work that Internal Audit had undertaken to formulate their opinion, including reliance placed on work by other assurance bodies; and
- Drew attention to any issues that Internal Audit deemed particularly relevant to the preparation of the Annual Governance Statement.

Issues relevant to the Annual Government Statement were around information management and Strategic HR. Catrin Roberts, HR Services Manager would attend the Corporate Governance Committee to be held on 3 July 2013.

Mr Paul Whitham requested that an update from Strategic Human Resources (HR) and Data Protection/ FOI be presented at the Corporate Governance Committee to be held on 3 July 2013. The HIA confirmed that a verbal report would be possible but there would not be sufficient time for a full report to be drawn up.

RESOLVED that subject to the above, the Internal Audit Annual Report 2012/13 be noted and received.

10 DRAFT ANNUAL GOVERNANCE STATEMENT 2012 / 13

Welsh Audit Office (WAO) National Review of Governance

Anthony Veale of the Welsh Audit Office presented a report regarding the National Review of Governance.

The review had been undertaken in February/March 2013. Primarily it had been looking at the 2011/12 Governance Statement. The Governance Statement had been a new requirement since 2010/11.

The background to the review was as follows:

- Local Authorities required to prepare Annual Governance Statement (AGS) since 2010/11
- Review of Governance was aligned with assessment requirements under Local Government Measure (LGM)
- The Auditor General must audit arrangements within the Local Authority to meet LGM duties
- Willingness to place reliance on LA's own assessment
- Study to provide assurance over assessment and help enhance this
- Focus on identifying learning points for 2012/13 review of governance although the Council was already nearing the end of that process and may have more impact on future AGS.

Overall, improvements could be made to the way the Council produced the AGS. The Council was already taking action to improve its processes going forward:

- The Council's review of its governance arrangements needed to be more wide-ranging, thorough and robust.

- The Council had identified areas in need of improvement in its governance arrangements and was making plans to address them.

The Council's review included some consideration of partnership controls but limited assurance included in the AGS in respect of the effectiveness of these partnership controls:

- Limited assurance work undertaken to assess the effectiveness of these controls – “gap in the assurance framework”
- Current AGS makes very limited reference to governance controls in relation to commissioning
- New scrutiny arrangements give a higher profile to partnership issues
- Council was taking action to improve partnership controls.

The Council had taken reasonable steps to evaluate arrangements for assuring effective control of governance arrangements but greater engagement and consultation was required in developing future AGS:

- Documents to support the AGS drive officers to consider whether arrangements are effective
- Mechanism for monitoring progress against recommendations were in place through regular meetings of Governance Group and monitoring of Action Plan
- Internal Audit Service was risk based and ensured its work aligned with Corporate Risk Register and governance framework
- Much wider engagement and consultation was required in the development of the AGS going forward with Members, CET and Heads of Service in particular.

The Council had identified and responded to lessons learnt from producing the 2011/12 AGS:

- Both officers and members recognised the need for greater engagement in the preparation of future AGS
- The Governance Group should support the development of the AGS going forward
- The development of a controls assurance framework should:
 - Clearly identify key governance controls, the assurance on those controls and any potential gaps in assurance
 - Help the Corporate Governance Committee in providing greater challenge in respect of the AGS
- There was a real opportunity for the Council to align its self-assessment programme with the development and productions of the AGS.

Anthony Veale of the WAO commended the Internal Audit Manager as controls assurance framework was not an easy document to produce and it had provided the WAO with all the information required.

The National Report would be brought back to Corporate Governance before Christmas 2013.

Draft Annual Governance Statement 2012/ 13

The Head of Internal Audit (HIA) presented the Draft Annual Governance Statement 2012/13 (previously circulated) to enable Members to challenge and recommend more work or improvements if deemed necessary.

The Draft Annual Governance Statement had been discussed at the previous Corporate Governance meeting and since then had also been presented at SLT. Feedback had been received from Anthony Veale, Welsh Audit Office and also from SLT.

The document was in draft form and would require the signature of the Chief Executive and the Leader before the end of June 2013. The document would come back to the Corporate Governance Committee in September 2013. There were various improvement areas and an action plan would be drawn up which would be kept up to date by the Governance Group comprising of the Scrutiny Chairs and Vice-Chairs, the Head of Legal and Democratic Services, the Head of Finance and Assets and the Internal Audit Manager.

Following discussion the following issues were raised:-

- Regarding the system of internal control, within the Draft Annual Governance Statement, it was stated that the system of internal control could not eliminate all risk and could only provide reasonable and not absolute assurance of effectiveness. The HIA confirmed this would be raised within the Risk Management Report and would be set at CET level.
- The need to improve engagement with the scrutiny function amongst stakeholders and how would this be achieved? The Head of Legal and Democratic Services clarified that in respect of the guidance issued by the Welsh Government, there were improvements to be made. Arrangements were in place for people to raise items to be submitted to scrutiny. Issues to be considered further were whether greater use be made of Task and Finish Groups, whether members of the public be co-opted on to Scrutiny or given rights to speak at Scrutiny etc.

RESOLVED that subject to the above, the Draft Annual Governance Statement 2012/13 be accepted.

11 COMMITTEE SELF-ASSESSMENT (PRESENTATION OF FINDINGS)

A verbal report was presented by the Head of Internal Audit informing the Corporate Governance Committee of the Committee Self-Assessment findings.

The HIA reported only two questionnaires had been returned. It was agreed this matter would be added to the Agenda for the next meeting to be held on 3 July 2013 to enable Members to work through the questionnaire and also to assess the training which would be required.

RESOLVED the presentation of findings be added to the Forward Work Programme for 3 July 2013.

12 REVIEW OF RESERVES AND BALANCES

The Head of Finance and Assets (HF&A) presented the Review of Reserves and Balances Report (previously circulated) to inform the Committee on the level of funds that the Council currently held and to seek the Committee's views on changes to certain reserves prior to proposals being submitted to full Council.

The analysis showed that £6.4million could be moved out of existing reserves into a new Corporate Plan Investment Reserve. This was because either the risks around the current reserve had reduced / occurred or they were already set up for a similar purpose.

Moving funds between reserves did not mean it had been spent but that it was being earmarked for future investment. The Corporate Plan assumed that the Council would need to find around £25million from cash reserves, capital receipts and redirecting revenue expenditure with a further £50million coming from borrowing. This review identified around 25% of the funds required for the Capital Plan.

If the recommendations within the report were supported then these would be included in the "Outturn Report" to full Council which would inform Members of the final end of year position, agree to the creation of new reserves and would decide what to do with any underspends and overspends that had occurred in the year.

RESOLVED that the Committee accepted the contents of the report and agreed with the Review of Reserves and Balances.

13 ROLE OF CORPORATE GOVERNANCE IN SETTING THE BUDGET

The Head of Finance and Assets (HF&A) presented the Role of Corporate Governance in setting the budget report (previously circulated), to seek the Committee's views on their role in the revised budget setting process.

The HF&A reported a revised budget setting process had been proposed at Council Briefing in March 2013 which would reduce the number of Members involved in the budget challenge process. It had also been proposed that the Corporate Governance Committee took an overview role for the process.

Corporate Governance were not to approve budget, theirs was a role of monitoring the process. This would be reported on a monthly basis to Cabinet.

The Head of Legal and Democratic Services clarified that the Measure stated the Audit Committee should review financial affairs. Monthly budget monitoring reports to go to Cabinet. It was suggested a mid-year report regarding budget monitoring be presented to the Corporate Governance Committee.

RESOLVED that the Corporate Governance Committee noted and agreed the role of Corporate Governance in setting the Budget.

14 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

The Corporate Governance Committee's Work Programme (previously circulated) was presented for consideration.

It was agreed the Corporate Governance Framework Action Plan be added to the 5 September 2013 Agenda and thereafter at every alternate meeting.

RESOLVED that subject to the above, the Committee approved the Corporate Governance Committee Forward Work Programme.

The meeting concluded at 1.10 p.m.